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Manual of Ship Subsidies

An Historical Summary of the Systems of All Nations

Edwin M. Bacon, A.M.

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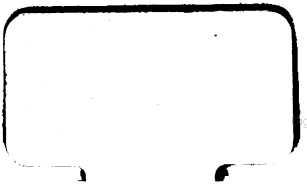

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MANUAL OF SHIP SUBSIDIES

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MANUAL OF SHIP SUBSIDIES

AN HISTORICAL SUMMARY OF THE SYSTEMS OF ALL NATIONS

BY

EDWIN M. BACON, A. M.

CHICAGO
A. C. McCLURG & CO.
LONDON: C. F. CAZENOVE
1911

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PREFACE

THE intent of this little book is to furnish in compact form the history of the development of the ship subsidies systems of the maritime nations of the world, and an outline of the present laws or regulations of those nations. It is a manual of facts and not of opinions. The author's aim has been to present impartially the facts as they appear, without color or prejudice, with a view to providing a practical manual of information and ready reference. He has gathered the material from documentary sources as far as practicable, and from recognized authorities, American and foreign, on the general history of the rise and progress of the mercantile marine of the world as well as on the special topic of ship subsidies. These sources and authorities are named in the footnotes, and volume and page given so that reference can easily be made to them for details impossible to give in the contracted space to which this manual is necessarily confined.

E. M. B.

BOSTON, MASS.
September 1, 1911.

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Manual of Ship Subsidies

CHAPTER I

INTRODUCTORY

THE term *subsidy*, defined in the dictionaries as a Government grant in aid of a commercial enterprise, is given different shadings of meaning in different countries. In all, however, except Great Britain, it is broadly accepted as equivalent to a bounty, or a premium, open or concealed, directly or indirectly paid by Government to individuals or companies for the encouragement or fostering of the trade or commerce of the nation granting it.

Ship subsidies are in various forms: premiums on construction of vessels; navigation bounties; trade bounties; fishing bounties; postal subsidies for the carriage of ocean mails; naval subventions; Government loans on low rates of interest.

In Great Britain they comprise postal subsidies and naval subventions, ostensibly payments for oversea and colonial mail service exclusively, or compensation for such construction of merchant ships under the Admiralty regulations as will make them at once available for service as armed cruisers and transports. They are assumed to be not bounties in excess of the actual value of the service performed, with the real though concealed object of fostering the development of British overseas navigation. Still, notwithstanding this assumption, such has been their practical effect.

Their original objects when first applied to steamship service, as defined by a Parliamentary committee in 1853, were — "to afford us rapid, frequent, and punctual communications with distant ports which feed the main arteries of British commerce, and with the most important of our foreign possessions; to foster maritime enterprise; and to encourage the production of a superior class of vessels,

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which would promote the convenience and wealth of the country in time of peace, and assist in defending its shores against hostile aggression." To foster British commerce they have undeniably been employed to meet and check foreign competition on the seas, as the record shows.

In the United States they have taken the form of postal subsidies openly granted for the two-fold purpose of the transportation of the ocean mails in American-built and American-owned ships, and the encouragement of American shipbuilding and ship-using.

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CHAPTER II

GREAT BRITAIN

ENGLAND has never granted general ship-construction or navigation bounties except in the reigns of Elizabeth and James I. Under Elizabeth Parliament offered a bounty of five shillings per ton to every ship above one hundred tons burden; and under James I that law was revived, with the bounty applying only to vessels of two hundred tons or over.*

A policy of Government favoritism to shipping, however, began far back in the dim ninth century with Alfred the Great. Under the inspiration of this Saxon of many virtues, his people increased the number of English merchant vessels and laid the foundation for the creation and maintenance of a royal navy.† The Saxon Athelstan, Alfred's grandson, whose attention to commerce was also marked, first made it a way to honor, one of his laws enacting that a merchant or mariner successfully accomplishing three voyages on the high seas with a ship and a cargo of his own should be advanced to the dignity of a thane (baron).‡

The first navigation law was enacted in the year 1381, fifth of Richard II. This act, introduced "to awaken industry and increase the wealth of the inhabitants and extend their influence,"** ordained that "none of the King's liege people should from henceforth ship any merchandise in going out or coming within the realm of England but only in the ships of the King's liegeance, on penalty of forfeiture of vessel and cargo."††

This act of Richard II was the forerunner of the code of Cromwell, which came to be called the "Great Maritime

*Royal Meeker, "History of Ship Subsidies."
†John R. Green, "Short History of the English People."
‡W. H. Lindsay, "History of Merchant Shipping."
**Lindsay.
††David A. Wells, "Our Merchant Marine," p. 96.

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Charter of England," and the fundamental principles of which held up to the second quarter of the nineteenth century.

Under Charles I was enacted (1646) the first restrictive act with relation to the commerce of the colonies, which ordained "That none in any of the ports of the plantations of Virginia, Bermuda, Barbados, and other places of America, shall suffer any ship or vessel to lade any goods of the growth of the plantations and carry them to foreign ports except in English bottoms," under forfeiture of certain exemptions from customs.* It was followed up four years later (1650) under the Commonwealth, by an act prohibiting "all foreign vessels whatever from lading with the plantations of America without having obtained a license."†

Cromwell's code, of which the act of 1381 was the germ, was established the next year, 1651. Its primary object was to check the maritime supremacy of Holland, then attaining dominance of the sea; and to strike a decisive blow at her naval power. The ultimate aim was to secure to England the whole carrying trade of the world, Europe only excepted.‡ These were its chief provisions: that no goods or commodities whatever of the growth, production, or manufacture of Asia, Africa, or America should be imported either into England or Ireland, or any of the plantations, except in English-built ships, owned by English subjects, navigated by English masters, and of which three-fourths of the crew were Englishmen; or in such ships as were the real property of the people of the country or place in which the goods were produced, or from which they could only be, or most usually were, exported.** This last clause was the blow direct to Holland, for the Dutch had little native products to export, and their ships were mainly employed in carrying the produce of other countries to all foreign markets. It was answered with war, the fierce naval war of 1652-1654, in which was exhibited that famous

*John Lewis Ricardo, "The Anatomy of the Navigation Laws," p. 111.

†Lindsay, vol. III.

‡Lindsay, "Our Navigation Laws"; also his History.

**Ricardo; also Lindsay in other words.

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spectacle of the at first victorious Dutch admiral, Van Tromp, sweeping the English Channel with a broom at his masthead.

With the final defeat of the Dutch after hard fighting on both sides, their virtual submission to the English Navigation Act, and their admission of the English "sovereignty of the seas,"* by their consent to "strike their flag to the shipping of the Commonwealth," England, in her turn, became the chief sea power of the world.† During the ten years of peace that followed, however, the Dutch despite the English Navigation Act, succeeded in increasing their shipping, and regained much of the carrying trade if not their lost leadership.‡

Cromwell's act was confirmed by Charles II in 1660, and made the basis of the code which then her statesmen exalted as "The Great Maritime Charter of England."

Early in Charles II's reign also (in 1662) indirect bounties were offered for the encouragement of the building of larger and more efficient ships for service in time of war. These were grants of one-tenth of the customs dues on the cargo, for two years, to every vessel having two and one-half or three decks, and carrying thirty guns.** Thirty years later (1694), in William and Mary's reign, the time was extended to three years. Under William and Mary the granting of bounties on naval stores was begun, and this system was continued till George III's time.** With William and Mary's reign also began the giving of indirect bounties to fishermen for the catching and curing of fish. After the middle of the eighteenth century vessels engaged in the fisheries were regularly subsidized, with the object of training sailors for the merchant marine and the royal navy.**

While the fundamental rules of the "Maritime Charter" of 1660 remained practically unimpaired, although in the succeeding years hundreds of regulating statutes were

*Meaning the waters between Great Britain and the continent.
†Green, p. 593.
‡Ricardo, p. 26.
**Meeker.

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passed, breaks were made in the restrictive barriers of the code during the first third of the nineteenth century by the adoption of the principle of maritime reciprocity.* In 1815 (July 3) a convention establishing a "reciprocal liberty of commerce," between the "territories of Great Britain in Europe and those of the United States," was signed in London.† In 1824-1826 reciprocity treaties were entered into with various continental powers. In 1827 (August 6) the treaty of 1815 with the United States was renewed. In 1830 a treaty for regulating the commercial intercourse between the British colonial possessions and the United States was executed.‡ Under these conventions, repeatedly interrupted by British Orders in Council and by Presidents' proclamations,** the trading intercourse between both countries was regulated till the abrogation of the code of 1660.

In 1844 an indirect move against the code was made, with the appointment of a committee of the House of Commons to inquire into the working of the reciprocal treaties and the condition of the mercantile marine of the country.††

At this period the competition of the United States in the overseas carrying trade of the world was hard pressing England. The Americans were building the best wooden ships, superior in model and seaworthiness, the fastest sailers. They were leading in shipbuilding. Much of the British shipping trade was carried on in American-built vessels. The splendid American clipper ships were almost monopolizing the carrying trade between Great Britain and the United States. Most of the shipping of the world was yet in wooden bottoms. Iron ships were in service, but iron-shipbuilding was in its infancy.

The Parliamentary inquiry of 1844 was followed up in 1847 with a move openly against the ancient code. Its principles as they then stood, essentially as in 1660, despite the multitude of regulating statutes, are thus enumerated:

*W. W. Bates, "American Marine," pp. 57-59.
†John Macgregor, "Commercial Tariffs."
‡Lindsay, vol. III, p. 65.
**Macgregor.
††Lindsay, vol. III, p. 69; also pp. 53-54 and 107.

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1. Certain named articles of European produce could only be imported into the United Kingdom for consumption in British ships, or in ships of the country of which the goods were the produce, or of the country from which they were usually imported.

2. No produce of Asia, Africa, or America could be imported for consumption into the United Kingdom from Europe in any ships; and such produce could only be imported from any other place in British ships, or in ships of the country of which the goods were the produce and from which they were usually imported.

3. No goods could be carried coastwise from one part of the United Kingdom to another in any but British ships.

4. No goods could be exported from the United Kingdom to any of the British possessions in Asia, Africa, or America (with some exceptions with regard to India) in any but British ships.

5. No goods could be carried from any one British possession in Asia, Africa, or America, to another, nor from one part of such possession to another part of the same, in any but British ships.

6. No goods could be imported into any British possession in Asia, Africa, or America in any but British ships, or in ships of the country of which the goods were the produce; provided, also, that such ships brought the goods from that country.

7. No foreign ships were allowed to trade with any of the British possessions unless they had been especially authorized to do so by an Order in Council.

8. Powers were given to the Queen in Council which enabled her to impose differential duties on the ships of any foreign country which did the same with reference to British ships; and also to place restrictions on importations from any foreign countries which placed restrictions on British importations with such countries.

Finally, in 1849, with the adoption of the commercial policy founded on freedom of trade, came the repeal of the restrictive code, excepting only the rule as to the British coasting trade; and in 1854 the restrictions on that trade were removed, throwing it also open to the participation of all nations.

Meanwhile the British ocean-mail subsidy system for steamship service, instituted with the satisfactory application of steam to ocean navigation, in the late eighteen-thirties, had become established: the first contract for open ocean service, made in 1837, being for the carriage of the Peninsular mails to Spain and Portugal. Although successful ventures in transatlantic steam navigation had begun nearly a score of years earlier, the practicability of the employment of steam in this service was not fully tested to the satisfaction of the British Admiralty till 1838.

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In this, as in so many other innovations, Americans led the way. The first steamer to cross the Atlantic was an American-built and American-manned craft. This pioneer was the *Savannah*, built in New York and bought for service between Savannah and Liverpool. She was a full-rigged sailing-vessel, of 300 tons, with auxiliary steam power furnished by an engine built in New Jersey. Her paddles were removable, so fashioned that they could be folded fan-like when the ship was under sail only.* She made the initial voyage, from Savannah to Liverpool, in the Summer of 1819, and accomplished it in twenty-seven days,† eighty hours of the time under steam. Afterwards she made a trip to St. Petersburg, partly steaming and partly sailing, with calls at ports along the way. Her gallant performance attracted wide attention, but upon her return to America she finally brought up at New York, where her machinery was removed and sold.

An English-built full-fledged steamer made the next venture, but not until a decade after the *Savannah's* feat. This was the *Curaçoa*, 350 tons, and one hundred horsepower, built for Hollanders, and sent out from England in 1829. The third was by a Canada-built ship — the *Royal William*, 500 or more tons, and eighty horsepower, with English-built engines, launched at Three Rivers. She crossed from Quebec to Gravesend in 1833. The next were the convincing tests that settled for the Admiralty the question of trans-atlantic mail service by steamship instead of sailing packet. These were the voyages out and back of the *Sirius* and the *Great Western* in 1838.

The *Sirius* had been in service between London and Cork. The *Great Western* was new, and was the first steamship to be specially constructed for the trade between England and the United States. Both were much larger than their three predecessors in steam transatlantic ventures, and better equipped. The *Sirius* started out with ninety-four passengers, on the fourth of April, 1838, and reached New York on the twenty-first, a passage of seventeen days.

*Rear-Admiral George H. Preble, "Chronological History of Steam Navigation."

†Preble. Lindsay says thirty-seven.

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The *Great Western*, also with a full complement of passengers, left three days after the *Sirius*, sailing from Bristol, and swung into New York harbor on the twenty-third, making her passage in two days' less time than her rival. Both were hailed in New York with "immense acclamation." They sailed on their homeward voyage in May, six days apart, and made the return passage respectively in sixteen and fourteen days. The *Great Western* on her second homeward voyage beat all records, making the run in twelve days and fourteen hours, and "bringing with her the advices of the fastest American sailing-ships which had started from New York long before her."* This clinched the matter. The Admiralty now invited tenders for the transatlantic mail service, by steam, between Liverpool, Halifax, and New York.

The first call for tenders was made in October, 1838. The St. George's Packet Company, owners of the *Sirius*, and the Great Western Steamship Company, owners of the *Great Western*, put in bids, the former offering a monthly service between Cork, Halifax, and New York for a yearly subsidy of sixty-five thousand pounds; the latter, a monthly service between Bristol, Halifax, and New York for forty-five thousand pounds a year.

Neither offer was accepted for the reason, as was stated, that a semimonthly service was desired.† Instead, private arrangements were made with Samuel Cunard and associates for a carriage between Liverpool, Halifax, Quebec, and Boston, twice a month, for a term of seven years, the subsidy to be sixty thousand pounds annually, less four thousand pounds for making only one voyage a month in the winter season.‡ The contract required Mr. Cunard and his associates to furnish five ocean steamships and two river steamers, the latter on the St. Lawrence.† There were also definite restrictions as to turning their steamers over to the Government for use in time of war. All were to be inspected by Admiralty officers, and were to carry officers

*Preble, p. 137; also Bates, p. 185.
†Meeker.
‡Parliamentary papers 1839, vol. XLVI, no. 566, as to the private contract.

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of the navy to care for the mails.* The service was started with the *Britannia,* the first of the four to be finished, sailing from Liverpool for Boston on July 4, 1840. Thus was begun the career of the celebrated Cunard Line. In 1841 the subsidy was increased to eighty thousand pounds, and the number of steamers to five; and in 1846, a further increase brought the subsidy to eighty-five thousand pounds.†

The Admiralty's favoritism toward the Cunard associates aroused a protest from the unsuccessful bidders for the subsidy, and at length the Great Western Company, whose bid had been the lowest, caused a Parliamentary inquiry to be made into the transaction. They complained that a monopoly had been granted "to their injury and to that of other owners of steamships engaged in the trade, and who were desirous of entering it"; and they asked the inquiry on the broad grounds "that the public were taxed for a service from which one company alone derived the advantage, and which could be equally well done and at less expense if mails were sent out by all steamers engaged in the trade, each receiving a certain amount percentage on the letters they carried."‡ Although the fact was brought out in the testimony that the Great Western Company had offered to perform the service on practically the same basis as the Cunard associates, and that afterwards the Great Western had proposed to do it at half the subsidy to the Cunarders, the investigating committee sustained the Admiralty's action.**

The Great Western Company overcame the advantage of the Cunarders in the latter's high mail subsidy by increased enterprise and superior management; and prospered. In 1843 they launched the *Great Britain,* the largest and finest steamship up to that period built for overseas service.†† She was, moreover, distinguished as the first liner to be built of iron instead of wood, and to be propelled by the screw instead of the paddle-wheel. In the latter

*Lindsay, vol. IV.
†Meeker; also Parl. papers 1849, vol. XII, no. 571.
‡Lindsay, vol. X; also Parl. papers, report H. of C., Aug., 1840.
**Report of Select Com. (1846) Parl. papers, vol. XV, no. 565, p. 8.
††Lindsay, vol. IV.

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innovation, however, she was not the pioneer. Again the Americans were first in the application of the auxiliary screw to ocean navigation,* as they had been first in despatching a steamer across the Atlantic.

The initial transatlantic subsidy to the Cunard Company was followed up in 1840 and 1841 with contracts for steam mail-carriage to the West Indies and South American ports.† The first (1840) went to the Royal Mail Steam Packet Company, for the West Indian service, the mail subsidy fixed at two hundred and forty thousand pounds a year;‡ the second (1841), to the Pacific Steam Navigation Company. The latter enterprise was promoted by an American,** after he had failed to obtain support in his own country†† for a project to establish an American steamship line to ports along the west coast of South America, a field in which American sailing ships had long been preëminent.‡‡

Up to 1847 the British lines monopolized the transatlantic service. Then the situation became enlivened by the advent of competing American steamships subsidized by the United States Government, with high-paying mail contracts. The first of these was the New York, Havre, and Bremen line starting in 1847; the next, the celebrated Collins Line between New York and Liverpool, underway in 1850. The competing vessels were American-built, wooden side-wheelers; those of the Collins Line superior in equipment and in passenger accommodations, and faster sailers, than the British craft.§ To meet this competition the Cunard Company increased their fleet while the Admiralty increased the subsidy. Four new steamers were first added, in 1848, to run directly between Liverpool and New York, and the postal subsidy was raised to one hundred

*The *Princeton*, sloop-of-war fitted with the Ericsson screw, launched the same year.

†Lindsay, vol. IV, p. 198, *note*.

‡John R. Spears, "The Story of the American Merchant Marine," pp. 254-255.

**William Wheelwright, of Newburyport, Massachusetts, sometime American consul at Guayaquil.

††Winthrop L. Marvin, "The American Merchant Marine," p. 231; also Preble; and Lindsay, vol. IV, pp. 316-330.

‡‡Marvin, p. 231.

§See p. 76, *post*.

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and forty-five thousand pounds a year for forty-four voyages — three thousand nine hundred and twenty-five pounds a voyage.* The competition began sharply with the regular running of the Collins liners, in 1850. Meanwhile during this year and the next additional contracts were given the Cunard Company for carrying the mails between Halifax, New York, and Bermuda, on the North American side, in small steamers, fitted with space for mounting an 18-pounder pivot-gun, subsidy ten thousand six hundred pounds a year; and for a monthly mail conveyance between Bermuda and St. Thomas, subsidy four thousand one hundred pounds a year.† These services united the West Indies with the United States and Canada.†

In 1851 John Inman entered the trade with his "Inman Line" of transatlantic screw steamers, which were to carry general cargo and emigrant passengers, then a steadily increasing business, and to be independent in all respects of either the Admiralty or the Post-Office.** The unsubsidized line prospered. The next year (1852) the Cunard Company increased their liners' horsepower, and the Admiralty again increased their subsidy. The contract, now made to run for ten years, provided a subsidy of one hundred and seventy-three thousand three hundred and forty pounds per fifty-two round trips a year. The Americans were pressing them closer. Now freight rates were cut, and the British premier is quoted as advising the Cunard Company to run without freight if necessary to "beat off the American line."‡ The increasing subsidies occasioned a Parliamentary investigation. The committee, evidently impressed by the gravity of the American competition, reported that "the cost of the North American service was not excessive," but they advised that all contracts thereafter "be let at public bidding."†† This recommendation was not heeded. In 1857, upon the plea that the Americans were about to build larger and more powerful liners, the Cunard Company asked a five years' extension of the contract of

*Meeker.
†Lindsay, vol. IV, p. 198, *note*.
‡Wells, p. 148.
**Bates, p. 87; also p. 180.
††Meeker.

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1852. The extension was promptly granted. At the same time they were awarded an additional subsidy of three thousand pounds for a monthly mail service between New York and Nassau in the Bahamas.* The next year (1858) after suffering crushing disasters in the loss of two of their steamers, and the withdrawal of their subsidy, the Collins Company failed, and their line was abandoned.† So this competition ended.

Meanwhile complaints of the Admiralty's partiality in the allotment of the contracts had been renewed more vigorously, with wider criticism of grants for mail carriage largely in excess of the postage received; and in 1859-60 another Parliamentary investigation was made. The ultimate result of this inquiry was a radical change in the system. The management of the ocean mail-service was taken from the Admiralty and placed wholly in the hands of the Post-Office Department; and at the expiration of the Cunard Company's extended contract, the service was thrown open to public competition, as the Parliamentary committee of 1846 had advised.

Bids were now received from the Cunard, the Inman, the North German Lloyd, and other lines. The Inman Company had previously offered to perform the service, and had done so for sea-postage only.‡ Contracts were finally concluded with the three named. The contract with the Inman Line was for a fortnightly Halifax service, for seven hundred and fifty pounds the round trip, nineteen thousand five hundred pounds a year, and a weekly New York service for sea-postage. That with the Cunard Line was for a weekly service to New York at a fixed subsidy of eighty thousand pounds. That with the North German Lloyd was for a weekly service, at the sea-postage. These contracts were to run for a year only. The Cunard's subsidy, although considerably less than half the amount that the company had received the previous ten years, showed a loss to the Government, at sea-postage rates, of forty-four thousand one hundred and ninety-six pounds,

*Meeker
†See p. 77, *post*.
‡Meeker.

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since the amount actually earned at sea-postage rates was twenty-eight thousand six hundred and eighty-six pounds.*

When advertisements for tenders were next issued, it was found that the Cunard and Inman companies had formed a "community of interests," with an agreement not to underbid each other. They asked a ten years' contract on the basis of fifty thousand pounds fixed subsidy for a weekly service. Instead, they were awarded seven years' contracts: the Cunard for a semi-weekly service, seventy thousand pounds subsidy; the Inman, for a weekly service, thirty-five thousand pounds subsidy.* At the same time contracts were made with the North German Lloyd and the Hamburg-American lines for a weekly service for the sea-postage.

The Cunard and Inman grants were sharply criticised, and a Parliamentary committee was appointed to investigate them. The committee's report sustained the critics. It observed that "the payments to be made when compared with those made by the American Post Office for the homeward mails are widely different, inasmuch as the American Post Office has hitherto paid only for actual services rendered at about half the rate of the British Post Office when paying by the quantity of letters carried." The committee recommended that these contracts be disapproved, and that the system of fixed subsidies be abolished. "Under all circumstances," they concluded, "we are of the opinion that, considering the already large and continually increasing means of communication with the United States, there is no longer any necessity for fixed subsidies for a term of years in the case of this service."† This recommendation, however, was not accepted, and the contracts were duly ratified.

The report of this Parliamentary committee is significant in the evidence it indirectly affords, confirming the declaration of 1853,‡—that the postal subsidies were not as assumed, payments solely for services rendered, but in fact were concealed bounties.

*Meeker.
†Parl. papers, 1867-68, 1868-69.
‡See p. 20, *ante*.

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In 1871-72, when a renewed effort was made to establish an American line of American-built ships,* the British subsidies were again increased. Then, also, was instituted by the Admiralty the naval subvention system — the payment of annual retainers to certain classes of merchant steamers, the largest and swiftest, in readiness for quick conversion into auxiliary naval ships in case of war, and to preclude their becoming available for the service of any power inimical to British interests.

At the expiration of the Cunard and Inman seven years' contracts the postmaster-general applied the principle of payment according to weight throughout for the carriage of the North American mails. But preference was given to British ships, these receiving higher rates per pound than the foreign. In 1887 an arrangement was entered into by which the Cunard and Oceanic lines were to carry all mails except specially directed letters, and the pay was reduced.† This method of payment continued till 1903.

Then another sharp change was made in the subsidy system to meet another and most threatening American move. In 1902 was formed by certain American steamship men, through the assistance of J. Pierpont Morgan, the "International Mercantile Marine Company," in popular parlance, the "Morgan Steamship Merger," a "combine" of a large proportion of the transatlantic steam lines.‡ Upon this, in response to a popular clamor, subsidy, and in a large dose, was openly granted to sustain British supremacy in overseas steam-shipping. To keep the Cunard Line out of the American merger, and hold it absolutely under British control and British capitalization, and, furthermore, to aid the company immediately to build ships capable of equalling if not surpassing the highest type of ocean liners that had to that time been produced (the highest type then being German-built steamers operating under the German flag), the Cunard Company were resubsidized with a special fixed subsidy of three-quarters of a million

*The American Steamship Co. of Phila., with 4 iron steamers built on the Delaware—the *Pennsylvania, Ohio, Indiana,* and *Illinois.*

†Meeker.

‡Ultimately embracing the American, Red Star, White Star, Atlantic Transport, and Dominion Lines.

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dollars a year, instead of the Admiralty subvention of about seventy-five thousand dollars, and in addition to their regular mail pay, the subsidy to run for a period of twenty years after the completion of the second of two high-grade, high-speed ocean "greyhounds" called for for the Atlantic trade. The Government were to lend the money for the construction of the two new ships at the rate of 2¾ per cent per annum, the company to repay the loan by annual payments extending over twenty years. The company on their part pledged themselves, until the expiry of the agreement, to remain a purely British undertaking, the management, the stock of the corporation, and their ships, to be in the hands of or held by British subjects only. They were to hold the whole of their fleet, including the two new vessels, and all others to be built, at the disposal of the Government, the latter being at liberty to charter or purchase any or all at agreed rates. They were not to raise freights unduly nor to give any preferential rates to foreigners.* The subsidy is equivalent to about twenty thousand dollars for an outward voyage of three thousand miles.

Of the British colonies, Canada grants mail and steamship subsidies, and fisheries bounties. In 1909-10 the Dominion's expenditures in mail and steamship subsidies amounted to a total equivalent to $1,736,372. The amount appropriated for 1910-11 increased to $2,054,200; while the estimates for 1911-12 reached a total of $2,006,206. In these estimates the larger items were: for service between Canada and Great Britain; Australia by the Pacific; Canadian Atlantic ports and Australia and New Zealand; South Africa; Mexico by the Atlantic, and by the Pacific; West Indies and South America; China and Japan; Canada

*For details of this contract see report of (U. S.) commissioner of navigation for 1903, pp. 48-52, and 224-268. The two steamships called for were the *Lusitania*, 31,550 gross tons, launched June 7, 1906; and the *Mauretania*, 31,987 gross tons, launched Sept. 19, 1906, both quadruple screw turbines, about 70,000 horsepower; the largest, fastest, and completest steamers afloat till the production in 1911 of the *Olympic*, 45,324 gross tons, of the International Mercantile Marine Co.'s White Star Line.

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and France.* The home Government pays the same amount as Canada toward maintaining the China and Japan, and British West Indies services.† The fisheries bounties amounted to one hundred and sixty thousand dollars in 1909.‡

The grand total of subsidies and subventions paid by Great Britain and all her colonies in 1911 approximate ten million dollars annually. The subsidies and mail pay of the Imperial Government amounted, in round numbers, to four million dollars, of which, in 1910, the Cunard Company received seven hundred and twenty-nine thousand dollars.** Besides the Admiralty subventions, retainer bounties are paid to merchant seamen and fishermen of the Royal Naval Reserve.

Since the establishment of steam in regular ocean navigation, and the substitution of iron for wooden ships, England has maintained her leadership among the maritime nations. The total tonnage of the United Kingdom and her colonies, steam and sailing ships, in 1910-11, stood at 19,012,294 tons,†† nearly four fold that of any other nation.

*U. S. consul, Charlottetown, P. E. I. in daily Con. Repts. (Jan. 20) 1911, no. 16.
†Consul General Small, Halifax, in Con. Repts. (Dec.) 1905, no. 303.
‡The American Year Book, 1911.
**American Year Book, 1911.
††Lloyd's Register, 1910-11.

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CHAPTER III

FRANCE

FRANCE has been rightly termed the bounty-giving nation *par excellence*.* She first adopted a policy of State protection of native shipping in the middle of the sixteenth century with the enactment (1560) of an exclusive Navigation Act, forbidding her subjects to freight foreign vessels in any port of the realm, and prohibiting foreign ships from carrying any kind of merchandise from French ports.† This was followed up in the next century with the institution of the direct bounty system to foster French-built ships.*

In the reign of Louis XIV, Colbert, Louis's celebrated finance minister, perfected (about 1661) an elaborate system of navigation laws, evidently copied from the rigorous English code. This was directed primarily against the commerce of Holland and England, with the ultimate object of upbuilding the home merchant marine and the laying of a broad basis for a national navy.‡ These acts included decrees giving French ships the monopoly of trade to and from the colonies of France; imposing tonnage duties on foreign shipping; awarding direct premiums on French-built ships. England retaliated immediately. Holland remonstrated first, then made reprisals. For a time under Colbert's energetic administration of the finances and the marine, "prosperity grew apace. At the end of twelve years everything was flourishing."** Then came the six years' war (1672-1678) with France and England combined against Holland, and at its end the French merchant marine lay sorely crippled.**

Still the fundamental principles of the stringent navigation laws long remained. A decree in 1681, and subsequent

*Meeker.
†Lindsay, vol. III.
‡Rear-Admiral Alfred T. Mahan, "The Influence of Sea Power upon History," pp. 105-107.
**Mahan, p. 73.

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ordinances, defined what should constitute a French vessel; and corporal punishment was ordained against a captain for a second offence in navigating a vessel of alien ownership under the French flag.* By later decrees, no alien was permitted to command a French vessel. An ordinance of 1727 further restricted alien command by shutting out even French subjects who had married aliens.* It was required that every French vessel should be manned by a crew two-thirds of whom were French subjects.* The system of regulations restricting the trade of the French colonies to French ships, and to the home market held till well into the nineteenth century.

During the Revolution a decree (May, 1791) prohibited acquisition of all vessels of foreign build. In 1793 (Sept.) it was ordained that no foreign commodities, productions, or merchandise should be imported into France, or into any of her colonies or possessions, except directly in French ships, or in ships belonging to the inhabitants of the countries in which the articles imported were produced, or from the ordinary ports of sale or exportation. All officers and three-fourths of the crew were required to be natives of the country of which the foreign vessel bore the flag, under penalty of confiscation of vessel and cargo, and a fine enforcible under pain of imprisonment. A tonnage tax was levied on foreign ships alone.

Despite this elaborate code designed for its benefit the domestic mercantile marine almost entirely disappeared during the wars of the Republic and the Empire; and after the Restoration its revival was so slow that for some time foreign ships were absolutely necessary for the supply of the French market.* Still the underlying principles of the code were retained by the Restoration Government, modified in a few particulars. The modifications included the removal of the prohibition on indirect commerce — the carrying trade between France and other countries: — yet advantage even in this commerce was held for the French flag through "flag surtaxes," added to the ordinary customs duties levied upon the merchandise imported into France in foreign

*Lindsay, vol. III.

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bottoms, and by the tonnage charges.* A law of March, 1822, renewed the prohibition against the importation of foreign-built ships.*

Early under Napoleon III movements toward the adoption of an economic policy similar to that then established in England were begun, and shortly a succession of radical changes in the maritime code were instituted.† In 1860 a commercial treaty with England was entered into. In 1861 freedom of access of foreign shipping to the French West Indies was permitted, subject to the payment of special duties varying according to the ports whence the goods were brought, or to which they were imported. Then at length, in 1866, numerous restrictions of the old code were swept away.† This law of 1866 (May) admitted duty-free all materials, raw or manufactured, including boilers and parts of engines necessary for the construction, rigging, and outfitting of iron or wooden ships; abolished a premium, or bounty, granted by a law of 1841 (May) on all steam engines manufactured in France intended for international navigation; admitted to registration foreign-built and fully equipped ships upon the payment of two francs a ton; abolished all tonnage duties on foreign ships, except such as had been or might be levied for the improvement of certain commercial harbors; abolished the flag surtaxes; opened colonial navigation to foreign ships. The monopoly of the coasting trade alone was retained for French ships.‡

Complaints against these new regulations were promptly raised by shipbuilders and ship-outfitters,‡ and in 1870 a Parliamentary inquiry into their grievances was made. It appeared that shipbuilders, though enabled to import free such materials as they needed, were handicapped by numerous and extensive formalities; while the outfitters were embarrassed by special burdens which the law laid upon them, and which their British competitors did not have to bear.** In 1872 laws were passed which reversed much of

*Prof. Achille Viallatés, "How France Protects Her Merchant Marine," in North American Review, vol. 184, 1907.
†Lindsay, vol. III.
‡Lindsay, vol. III, also Viallatés.
**Viallatés.

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the act of 1866. A tax of from thirty to fifty francs a ton measurement was re-imposed on all foreign ships purchased for registration in France, together with a duty on marine engines; again a tonnage duty, of from fifty centimes to one franc, was imposed on ships of any flag coming from a foreign country or from the French colonies; and the provisions freeing materials for ship construction, and admitting foreign-built ships to French registration upon payment of the two-franc tax per ton, were repealed.* In 1873 an extra-parliamentary commission took up the general question of the state of the commercial marine,† and the outcome of this inquiry was the establishment of the system of direct bounties. This system was applied for the first time in the Merchant Marine Act passed in January, 1881.

The act of 1881 granted both construction and navigation premiums, and was limited to ten years. The construction bounties, as was declared, were given "as compensation for the increased cost which the customs tariff imposed on shipbuilders" in consequence of the repeal of the law granting free import of materials by construction; the navigation bounties, "for the purpose of compensating the mercantile navy for the service it renders the country in the recruitment of the military navy." The construction bounties, on gross tonnage, were as follows: for wooden ships of less than 200 tons, ten francs a ton; of more than 200 tons, twenty francs; for composite ships, that is, ships with iron or steel beams and wooden sides, forty francs a ton; for iron or steel ships, sixty francs; for engines placed on steamers, and for boilers and other auxiliary apparatus, twelve francs per 100 kilograms; for renewing boilers, eight francs per 100 kilograms of new material used; for any modification of a ship increasing its tonnage, the above rates on the net increase of tonnage.‡ The navigation bounties were confined to ships engaged in the foreign trade, and were to be reduced annually during the ten

*Lindsay, vol. III, pp. 457-458.
†Viallatés.
‡Meeker. Also Wells, pp. 163-164, *note*.

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years' term of the law.* They were thus fixed: for French-built ships, one franc and fifty centimes a registered ton for every thousand sea miles sailed the first year, the rate to diminish each succeeding year of the term seven francs and fifty centimes on wooden ships, and five centimes on iron and steel ships; for foreign-built ships owned by Frenchmen admitted to registry, one-half the above rates; for French-built steamers constructed according to plans of the Navy Department, an increase of fifteen per cent above the ordinary rate.†

The first effect of this law was to stimulate the organisation of a number of new steamship companies, and to occasion activity in various ship-yards, foreign (English) as well as home, in building steamships for their service.‡ Most of the domestic-built iron and steam tonnage produced during the law's ten years' term was of steamers.** The tonnage of steamships increased from 278,000 tons in 1880 to 500,000 tons in 1890. Of this increase more than three-fifths were represented by vessels bought in other countries.†† The results of the navigation bounties are shown in official statistics covering the years 1882-1890. During this period iron or steel French-built ships earning these bounties increased from 159,714 tons to 190,821 tons, gross tonnage; while wooden or composite tonnage decreased from 150,233 tons to 57,068 gross. Foreign-built iron or steel tonnage earning the bounties increased from 43,787 tons to 91,170 tons, gross; and wooden or composite tonnage increased from 1,220 tons to 9,799 tons, gross.** In 1891 the law which had then reached its limit of ten years was extended for two years. Doubting its renewal ship-owners had sometime before ceased to increase their fleets.**

These results were variously pronounced unsatisfactory, and a revised or a new law was called for, with more and higher bounties. Owners of wooden sailing-ships were especially clamorous for larger benefits. They argued that sailing-ships being much slower than steamers should there-

*Wells, pp. 163-164, *note*.
†Meeker. Also Wells.
‡Wells, p. 164.
**Meeker.
††Viallatés.

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fore receive higher mileage subsidies in order to compete on equal terms with steamships.*

A new law was enacted in 1893 (January 30). This act cut off bounties to foreign-built ships, and granted increased construction premiums. The construction subsidies were again declared to be given as "compensation for the charges imposed on shipbuilders by the customs tariff"; the navigation bounties, "by way of compensation for the burden imposed on the merchant marine as an instrument for recruiting the military marine." The construction subsidies were not to be definitely earned till the ships were registered as French; and by ships built in France for foreign mercantile fleets, not till they had been delivered. The navigation bounties were accorded to French-built ships, of more than 80 tons for sailing-ships, and 100 tons gross for steamers, engaged in making long voyages and in international coasting; and were limited to ten years. They were based on gross tonnage per thousand sailed miles. To merchant steamships built in accordance with plans approved by the Navy Department, the rate of fifteen per cent above the regular navigation bounty provided in the law of 1881, was increased to twenty-five per cent. All ships receiving the navigation bounty were subject to impressment in case of war.†

The effect of this law appears to have been a division of the interests of shipowners and shipbuilders. The shipowners found the builders constantly increasing their prices until a point was reached where they were accused of absorbing both premiums for construction and navigation, by calculating the amount of bounty which proposed construction would demand, and adding that amount to their cost price.‡ The increase of the bounty on sailing-ships was made in the expectation that it would check their falling off, which had been rapid since the development of steamship building; merchant sailing-ships were regarded as the best school for seamen, all of whom in French com-

*Meeker.

†For this law see Meeker.

‡U. S. Consul Robert Skinner, Marseilles; Con. Repts., xol. XVIII (1900), p. 36.

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merce, up to the age of forty-five, are subject at any time to draft into the national navy. It did this and more. There resulted the "strange phenomenon," as Professor Viallatés puts it, "of a steady increase in the sailing-fleet, while the number of steam-ships remained stationary."*

Thus, like its predecessor, unsatisfactory, the law of 1893 was succeeded by another act further enlarging the bounty system. This law was promulgated in 1902 (April 7). It provided three classes of bounty: construction and navigation as before, and "commission compensation" or "shipping premiums." The construction bounty remained as in previous law. The navigation bounty, now introduced as awarded "as a general compensation for the charges imposed on the merchant navy, and for the excessive cost of vessels built in France," was increased.† It was payable to all French-built sea-going ships, steam and sailing, of over 100 tons gross, and less than fifteen years old, and was limited to twelve years. To stimulate speed development, only ships showing a trial speed of at least twelve knots with half load were to receive the full navigation bounty; to those making less than twelve knots the bounty was diminished by five per cent; to those making less than eleven, by ten per cent. The shipping bounty was declared to be granted "as compensation for the charges imposed on the mercantile marine" by making merchant vessels practically schools for seamen. It was a "chartered allowance" made to foreign-built iron or steel steamers manned under the French flag for long voyages or for international coastwise trade, of more than 100 gross tons, belonging to French private persons or joint-stock or other companies, the latter having on their boards a majority of French citizens, and the chairman and managers being French. This allowance was reckoned on the gross tonnage, and per day while the steamer was in actual commission (three hundred days the maximum number in any one year).* The rate varied according to the tonnage. Up to 2000 tons gross, it was fixed at five centimes per ton; from 2000 to 3000 tons, at four centimes; 3000 to 4000, three

*Viallatés.
†Meeker.

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centimes; above 4000, two centimes; over 7000, the same grant as 7000. The creation of this "chartered allowance," as Professor Viallatés explains, was to prevent the navigation bounty from becoming to the same extent as under the previous law merely another form of bounty upon shipbuilding. It could so become, he points out, only to the extent of which it exceeded the owner's bounty.*

Not all of the shipping and navigation bounties were to go to shipowners. Five per cent was to be retained for sailors' insurance "with a view to reducing the deductions imposed on them for the purpose of that insurance"; and six per cent to be reserved for distribution for the benefit of marines, as follows: "two-thirds to the provident fund, with a view to diminishing the deductions on mariners' pay and to increasing the funds for assisting the victims of shipwreck and other accidents, or their families; one-third to the invalids' fund, with a view to granting subventions to the chambers of commerce or public institutions for the creation and support of sailors' homes in French ports, intended to assist the nautical population, or of any other institutions likely to be of use to them, especially schools for seamen." The requirement in the old law of 1793 as to the composition of the crews of French merchant ships was modified, reducing the proportion of sailors who must be Frenchmen.

French-built ships were privileged to chose between the shipping and the navigation bounties. To obtain the shipping bounty for the maximum of three hundred days steamers must make during the year a minimum of thirty-five thousand miles if engaged in the overseas trade, or twenty-five thousand if in "*cabotage international.*"† Shipowners agreeing to maintain on routes not served by the subsidized main steamers a regular line, performing a fixed minimum of journeys per year, with vessels of a certain age and tonnage, were permitted to claim, in lieu of the regular bounties, a fixed subsidy during the term of their agreement, equal to the average of the bounties to which the vessels

*North American Review, vol. CLXXXIV, 1907.

†Embracing voyages within the limits of the ports of the Mediterranean, North Africa, and Europe below the Arctic circle—Meeker.

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in commission would be entitled for the whole of the journeys performed. The new tonnage to be admitted to the benefit of the law was limited to three hundred thousand gross tons of steamers and one hundred thousand gross tons of sailing-ships; of which new tonnage freight-built ships could form two-fifths. The appropriation for the payment of the bounties was also limited, to guard against a too heavy burden upon the national treasury. This was fixed at two hundred million francs: one hundred and fifty million for the shipping and navigation bounties and fifty million for the construction bounties.*

Unforeseen results of an unsatisfactory nature followed the application of this law. Professor Viallatés effectively states them in the fewest words:

"To be sure of profiting by the advantages of the law the ship-owners hastened to order vessels and to place them on the stocks. Their haste increased when it was seen that there existed a considerable discrepancy between the allowed tonnage and the money appropriated. The appropriation of one hundred and fifty million francs, opened to assure the payment of the navigation bounties and the compensation for outfit, was much too little. The rush was such, as soon as this formidable mistake was discovered, that, less than nine months after its promulgation, from December 20, 1902, the useful effect of the law was completely exhausted."†

Thereupon resort was had to another Extra-Parliamentary commission to frame another system. The result was a law of 1906 (April), which separated the shipbuilder from the shipowner. The provisions for the construction bounty were redrawn with the object, as Professor Viallatés explains,† "not only to equalize the customs duties affecting the materials employed, but also to give the builders a compensation sufficient to enable them to concede to the French shipowners the same prices as foreign builders." The rates were thus fixed on gross measurement: for iron and steel steamships, one hundred and forty-five francs per ton; for sailing-ships, ninety-five francs per ton: these bounties to decrease annually to four francs and fifty centimes for steamships and three francs ninety centimes for sailing-ships during the first ten years of the law's application,

*Meeker and Viallatés, summaries of this law.
†North American Review, vol. CLXXXIV, 1907.

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thereafter to stand at one hundred francs and sixty-five francs, respectively; for engines and auxiliary apparatus, twenty-seven francs fifty centimes per hundred kilograms. The navigation bounty to owners of French or foreign-built ships under the French flag, was calculated per day of actual running: for steamships, four centimes per ton gross up to 3000 tons; three centimes more up to 6000; two more to 6000 and above; for sailing-ships, three centimes per ton up to 500 tons, two more up to 1000, and one more to 1000 and above. This bounty to continue for the first twelve years of the law. The provisions for fostering speed development in steamships excluded from compensation those making on trial, half laden, less than nine knots, in place of ten in the previous law; reduced the rate to fifteen per cent of the bounty for those showing more than nine and less than ten knots; and increased this rate by ten per cent for those making at least fourteen knots, by twenty-five per cent for fifteen knots, and thirty per cent for sixteen knots. The extra bounty equal to twenty-five per cent of the regular navigation bounty to steamships constructed on plans approved by the Navy Department, and the provision making all merchant ships subject to requisition by the Government in case of war, were retained as in previous laws.* This is the law at present in force.

The total cost of the French bounty system in the twenty-four years from its establishment with the law of 1881 to 1904, when the law of 1902 had practically run out, was in round numbers upward of three hundred and eighty-one million francs. Professor Viallatés shows that the new law of 1906 would absorb during the first seven years of its application, upward of eighty-four million francs.†

These construction and navigation bounties are exclusive of the subventions to steamships for carrying the mails. The establishment of the French postal ocean steamship subsidy system dates back to 1857, when a contract was made with the Union Maritime Company for a service to New York, Mexico, and the West Indies. The assertion is made by Professor Meeker that the French postal sub-

*For this law see Senate Doc. no. 488, 59th Cong., 1st sess.
†North American Review, vol. CLXXXIV, 1907.

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ventions paid "ostensibly for the furtherance of the mails," are "both greater in amount and more influential upon shipbuilding, navigation, and commerce than are the general premiums upon shipbuilding and navigation."* Says Viallatés:

"The system is calculated to secure regular and rapid postal communication with certain countries beyond seas, and at the same time to constitute an auxiliary fleet capable of being utilized by the navy in times of war. The existence of fixed lines with constant service is also a means of favoring the expansion of the national commerce. The State obtains, moreover, in exchange for the subsidy, direct advantages; the free carriage of the mails and the funds of the public treasury; transport of officials at a reduced price, and of arms and stores destined for the service of the State."

Meeker:

"The greater part of the concealed subventions undoubtedly goes to the shipbuilders, for all mail contract steamers must be built in French yards and of French materials. These first costs are estimated to be from twenty-five to fifty per cent greater in France than in England."†

There is no competition in the letting of the French mail contracts. They go to four steamship concerns. For many years more than one half of the total steam tonnage of France has been owned by these four subsidized lines: the *Compagnie Générale Transatlantique*, the *Compagnie des Messagéries Maritimes*, the *Chargeurs Réunis*, and the *Compagnie Fraissant*.†

The great ship-yards have developed a capacity for building steamships of the largest class. The tonnage since 1881, when it had fallen to 914,000 tons, had increased only to 1,052,193 tons in 1900. By 1910-11, it had reached 1,882,280 tons.‡ The total mail subsidies average, in round numbers, five million dollars a year, while the construction and navigation bounties amount to three and a half million dollars additional.

Practically every French vessel floating the French flag and engaged in foreign trade either receives or has received subsidies, or bounties, from the Government.**

*Meeker.
†Meeker.
‡Lloyd's Register, 1910-11.
**Senate Rept., no. 10, 59th Cong., 1st sess.

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CHAPTER IV

GERMANY

GERMANY was a close follower of France in the adoption of the direct ship bounty system. Only two months after the promulgation of the initial French law of 1881, Bismarck brought the question before the Reichstag, with an exhibit of this act. In an elaborate memorial (April 6, 1881) he reviewed the general subject of State bounties and subsidies to shipping in various maritime countries, and closed with this pointed declaration: "It is deserving of serious consideration whether, under the circumstances as given, German shipping and German commerce can hope for further prosperous developments as against the competition of other nations aided by public funds and assistance.*

At this time the German marine was represented by a substantial fleet of merchant steamships, but all were foreign-built, mostly from British ship-yards. The Government was paying only a postal subsidy of about forty-seven thousand dollars — a sum in proportion to the weight of the parcels forwarded — in the overseas trade to the participating German steam lines. A first step had been taken indirectly in favor of domestic shipbuilding six years earlier (1879), when Bismarck, in introducing the general protective system, exempted this industry, and free entry was permitted to German ship-yards of materials used in the construction and equipment of merchant as well as of war-ships, which then were only on the domestic stocks.† Bismarck's proposal of 1881, to meet French subsidies with German subsidies, was avowedly with the single object of promoting with State aid a German mercantile marine.

The project was brought before the Reichstag early in

*For this Memorial see U. S. Con. Rept., no. 112, Jan., 1890, pp. 108-118.

†J. Ellis Barker, "Modern Germany," 3rd edition, 1909.

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1884 and warmly discussed. Earnest protests were raised against it by shipping merchants of the chief German seaports;* while earnest support came from other merchants and varied interests. The initial proposal was for the establishment of a subsidized mail service by German steamships. It contemplated an annual subsidy of four million marks, with fifteen years' contracts, for such service between Germany and Australia and East Asia. The measure was defeated in the Reichstag that year. Brought forward the next year (1885), and in a new form, it was finally enacted in April and went into effect the following July.

This law increased the annual subsidy from four million marks as first proposed to four million four hundred thousand marks, of which one million seven hundred thousand was offered for the East Asian line, to China and Japan; two million three hundred thousand for the Australian line, and four hundred thousand for a branch line connecting Trieste with the Australian line at Alexandria. The contracts in accordance with it all went to the North German Lloyd Company, of Bremen. The convention between the Government and this company required that the new vessels to be furnished must be built in German yards and of German material. The coal supply was, as far as practicable, to be of German product. The chancellor was empowered to take over all the company's steamers for the mobilization of the navy, at their full value, or on hire at proper compensation. The sale or loan of a steamer to a foreign power could be made only by permission of the chancellor. The number of voyages to be made on each line yearly, and the rate of speed, were set down in careful detail. Failure to observe the table of voyages, without sufficient reason, subjected the company to heavy penalties. All persons employed in connection with the mail service were, if practicable, to be German subjects. All officers in the service of the empire, relief crews, weapons, ammunition, equipments, or supplies for the imperial navy, were to be carried at twenty per cent under the regular tariff.†

*Wells, p. 166.
†U. S. Con. Rept., no. 61, 1886, pp. 285-287.

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Subsequent laws made additions to the free list of raw and manufactured shipbuilding material; and preferential rates on the State railroads were arranged for the transportation of steel, iron, timber, from the interior, where these are found at an average distance of some four hundred miles from the coast, to the ship-yards.* Speedily large and superior steamships were designed and turned out from the enlarged ship-yards, the first ocean flyer being the *Auguste Victoria* for the Hamburg-American Line. In 1890 a subsidy of ninety thousand marks annually was granted for an East African line on a ten-years' contract. Within less than six years the establishment of a fortnightly Asiatic service was agitated; and in 1896 a bill granting a yearly subsidy of one million four hundred thousand marks therefor, was brought before the Reichstag. If this were forthcoming the North German Lloyd agreed, besides furnishing the fortnightly service, to increase the speed of their steamers, to send ships direct to Japan, and to meet all requirements of the Admiralty with respect to ships and crews.†

Now the advocates of further subsidies maintained that the policy instituted with the law of 1885 had proved its effectiveness. The indirect advantages from the subventions were claimed to be quite as great as the direct. While before 1885 all large ships for German companies had been ordered in England, now all large ships for the German transatlantic lines were built in Germany.† This condition, the increasing activity in domestic shipbuilding, and the steady growth of the empire's commercial marine, were presented as conclusive evidence of the law's effect. Germany was now pressing into sharp rivalry with England, and turning out larger and speedier steamships.‡ The increased subsidy for the China service was especially urged upon these grounds: the importance of placing the German mail service in the East on a par with the services of England and France, the benefits to commerce, and the aid of the national defence.**

*Barker, 3rd ed.
†Meeker.
‡U. S. Con. Repts., 1889, no. 101, p. 544.
**Meeker. Also German report on the operation of the law of 1885, in report of (U. S.) commissioner of navigation for 1898.

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The measure met opposition at the session in which it was first introduced; but at the next session (1898), after amendment, it became law. By this act the subsidy was fixed at one million and a half marks a year for the extension of the East Asiatic service to China direct, and for making the whole service fortnightly; and the contract was extended for another fifteen years. It was conditioned that if foreign competing lines should increase the speed of their ships the North German Lloyd must do likewise, and without additional subsidy, unless the foreign companies should receive extra payments.*

The total annual subventions for the Asiatic and Australian service had now reached five million five hundred and ninety thousand marks ($1,330,420). After January, 1899, under a contract between the North German Lloyd and the Hamburg-American Line then made, a part of this subsidy went to the latter. In 1901 the subvention to the East African line was increased to one million three hundred and fifty thousand marks. Thus Germany's grand total of annual payments in postal subventions had reached six million nine hundred and forty thousand marks.

Besides these postal subventions and the free entry to materials used in ship-construction and equipment, and the preferential railway rates on long hauls of the heavy domestic materials, barely covering the cost of handling and transportation,† the Government bestows a special form of indirect bounty upon the subsidized steamship lines in the shape of largely reduced through freight rates. These include substantial reductions on merchandise exported from inland Germany to East Africa and the Levant. Thus the combined land and sea through rates are brought considerably below those in force on goods sent to German ports for direct importation.‡

Under these and other favoring conditions the German merchant marine has advanced in total tonnage from an insignificant place in 1880 to the third in rank among the

*Meeker. Also German report on the operating of the law of 1885, in report of commission of navigation for 1898.
†Barker, 3rd ed.
‡Meeker.

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maritime nations in 1911. Between 1885 and 1900, a period of only fifteen years, its growth was tenfold.* In 1890 the gross tonnage stood at 928,911 tons: in 1900 it had reached a total of 2,159,919 tons. Steamers and sailing-ships were nearly equal in tonnage. German-built steamships had won the speed record in ocean liners. Thereafter the output of steamships became much the larger, and in 1906 the Government was taking measures to revive the sailing-ship trade, because of its value as a training-school for seamen for the navy.† In 1910-11 the total tonnage was recorded at 4,333,186 tons.‡

The other influences contributing to this extraordinary growth are variously stated according to the observer's point of view. The United States consul at Hamburg sees them in the "rapid transformation of the country from a non-producing nation into one of the foremost industrial powers of Europe, a large available supply of excellent and cheap labor, and the geographical situation of the empire."** The historian of Modern Germany sees them in German business methods:

"The astonishing success of the German shipbuilding industry is due partly to its excellent management and organization; partly to the application of science and experience to industry; * * * partly to the harmonious co-ordination and co-operation of the various economic factors which in more individualistic countries, such as Great Britain, are not co-ordinated, and often serve rather to obstruct and to retard progress by unnecessary friction than to provide it by harmonious action."††

*Barker, 3rd ed.
†U. S. Con. Rept., no. 13, July, 1906, pp. 87-89.
‡Lloyd's Register, 1910-11.
**U. S. Consul General Robert P. Skinner, Hamburg, in Daily Con. Repts., April 8, 1911, no. 82.
††Barker, Modern Germany, p. 490.

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CHAPTER V

HOLLAND — BELGIUM

THE home Government of the Netherlands gives neither construction nor navigation bounties. Only subventions to steamship lines for carrying the mails are granted. The single purpose of these subventions is declared to be to secure the prompt and effective furtherance of the mails at reasonable cost.* The contracts are not publicly let, but go to the several steamship lines plying to foreign ports and to the Dutch colonies. The amounts fixed by contract are at a given rate per voyage. The cost of the subventions to the Dutch East Indian lines is divided equally between the home and colonial Governments. Independently of the home Government the Dutch East Indian Government grants general mileage subventions for the maintenance of lines making regular communication with the various ports of the East Indies.* Holland's gross tonnage in 1910 had reached the respectable total of 1,015,193 tons,† ranking her eighth among the maritime nations.

Belgium had a subsidy system for shipbuilding before 1852. At present neither bounties to domestic shipping nor postal subventions are paid by the Government. Subsidies, or premiums, however, are given to certain foreign steamship lines to encourage the commerce of Antwerp. These include an annual payment of eighty thousand francs ($15,440), and the refunding of lighterage and pilotage dues, to the North German Lloyd on their East Asiatic and Australian lines; and fifteen hundred francs ($289.50) to the German-Australian line for each call to and from Australia, the maximum subvention limited to thirty-nine thousand francs ($7527). A Danish steamship concern is also ex-

*Meeker.
†Lloyd's Register, 1910-11.

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empted from lighterage and harbor dues and granted other facilities, but receives no money premiums.* Belgium tonnage in 1910 comprised only 165 steam and sailing ships for a total of 299,638 tons.†

*Meeker.
†Lloyd's Register, 1910-11.

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CHAPTER VI

AUSTRIA-HUNGARY

THE Imperial Government of Austria-Hungary spurred by the action of Germany, instituted a direct subsidy system, also modelled after that of France, in 1893, when the Austrian merchant marine was languishing.*

A postal subsidy had long been in operation, the subsidies being all awarded to a single steamship company — the Austrian Lloyd, earlier the Austro-Hungarian Lloyd. They were practically mileage and speed bounties,† increasing with the extension of service. Ten-years' contracts were at first made with this company. The contracts, executed in 1888, particularly guarded domestic interests. In the purchase of materials it was required that preference be given to Austro-Hungarian industries. The coal used must be bought from Austro-Hungarian subjects in the proportion of two tons from Austria and one ton from Hungary, provided that "the price is not greater than foreign coal, and that the steam-producing power of the native coal is equal to at least eighty-four per cent of that of foreign coal." In the building and repairing of their ships, or parts of ships, and engines, the company must also favor home interests. Ships, engines, or boilers could be ordered abroad only with the consent of the foreign office when shown that the work cannot be made in Austria within proper time, or that the want can be supplied by a foreign country on more favorable terms.‡

By a law of July, 1891, the rates for mail-contract steamships were fixed as follows: for fast lines, making above ten knots, a maximum rate of seventy kreutzers per nautical mile; for slower lines, fifty kreutzers a mile. The total amount of mileage bounty payable each year was limited to two million nine hundred and ten thousand florins.

*Meeker.
†U. S. Con. Rept., Jan., 1890, no. 112, p. 95-96.
‡U. S. Con. Repts., vol. XXXII, 1890, no. 112, pp. 23-24.

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But in addition to this bounty the Government agreed to pay the Suez Canal tolls. To encourage the Austrian Lloyd to build larger and swifter vessels the Government further agreed to advance the company one million and a half florins. This was to be furnished in three equal payments yearly (1891, 1892, 1893), and was to be repaid in five equal payments of three hundred thousand florins each, beginning in January, 1902. The company's ships were to be exempted from consular fees, "the same as vessels of the imperial navy"; and were to be at the disposal of the naval and military departments in case of war. All the officials of the company were to be Austrian subjects, "naval officers either active or retired to be given the preference"; and there was to be an administrative committee of eight members, the president appointed by the Emperor and two other members by the ministry of commerce, the intention of this provision being to give the Government control over the company's affairs.*

The general subsidy law of 1893 (November 28) was the outcome of the deliberations of a special Parliamentary committee appointed that year; and its declared object, as set forth in this committee's report, was "to put a stop to the decline of our merchant fleet, to allow it to cope with foreign competition, and to secure for the inhabitants of our coast needed employment and profits in maritime pursuits."* Three years before (1890), with the same object in view, a preliminary step had been taken in the exemption of all iron and steel steam and sailing ships from trading and income taxes while engaged in ocean voyages.*

The law provided two classes of subsidies — a trade bounty and a navigation bounty. They were to go to all steamers and sailing-ships engaged in the deepseas trade or long-coasting trade, and not receiving mail subventions. At this time a large percentage of the Austrian steam tonnage was receiving the postal subsidies, and most of this tonnage was owned by the Austrian Lloyd Company.* The trade bounty was for ships making long voyages; the navigation bounty for those engaged in coastwise voyaging. Ships

*Meeker.

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entitled to the trade bounty were required to be owned at least two-thirds by Austrian subjects, to be not over fifteen years old, and registered A1 or A2. The rates were thus fixed: for the first year after launching, iron or steel steamers, six florins ($2.44) per ton, iron or steel sailing-ships, four florins and fifty kreutzers; wooden or composite (part iron) sailing-ships, three florins. After the first year the rate was to be reduced five per cent annually till the end of the fifteenth year. As an inducement to employ home work and to utilize home materials, the bounty was to be increased by ten per cent for iron or steel sailing-ships built in the Austrian ship-yards, and by twenty-five per cent if at least one-half of the materials used in the construction were of Austrian origin. If more than one year had elapsed since the launching of a ship otherwise entitled to a bounty, a deduction of fifteen per cent was to be made for each year that had passed. The navigation bounty was fixed at five kreutzers per net ton of capacity for every hundred nautical miles sailed. The exemption from the production and income taxes, granted in 1890, was extended for a term of five years from January 1, 1894. The law was to be in force for ten years.

As the end of the term of this law was approaching ship-owners began agitating for its renewal with an increase in the subsidy. Since its enactment the production of steam tonnage had been accelerated, and the decline of sail tonnage had been checked; but no marked change in the merchant marine generally had been manifest.* Of the bounties paid the Austrian Lloyd had received a large share in behalf of their ships which were not directly under contract for the mail service. The remainder went to the various companies controlling the coast and river trade. The ten to twenty-five per cent addition to the trade bounty for ships built in domestic yards and from domestic materials, finally went for the most part to a single large building concern at Trieste. While most of the Austrian tonnage was yet of foreign build, mostly constructed in British yards, the increase in the proportion of domestic build was considerable

*U. S. Con. Rept., no. 282, March, 1904, pp. 645-646.

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after 1893. The greater part of the materials used was Austrian product. Consequently allied industries increased with this increased output of home ships.*

At length in 1907 (February 23) a new law was enacted increasing the navigation and construction bounties. For the navigation subsidies, to go to shipowners according to the tonnage of the ships and the number of miles run, allotments were thus made: for the first year, $852,600; for 1908, $893,200; 1909, $954,100; 1910, $1,015,000; 1911, $1,075,000; and for the five years remaining of the term of the law — which ends December 31, 1916 — $1,136,800 a year. The construction subsidies were raised as follows: for ships launched after July 1, 1907: steamers built of iron and steel $8.12 per gross ton, sailing-ships of iron and steel, $2.84; for marine engines, boilers, pipes, and auxiliary apparatus, $1.62 per 220.46 pounds. To entitle a ship to these bounties fifty per cent of the materials used in its construction must be home product.†

This year (1907) also the annual postal subventions to the Austrian Lloyd were increased $1,486,586, for a further period of fifteen years. This contract called for an increase of speed to the Levant and the Orient. The Suez Canal tolls were to be paid by the Government as before.

The Kingdom of Hungary grants bounties to Hungarian ships, or ships owned in greater part by Hungarian subjects, independently of the Imperial Government. Her first general bounty law was also enacted in 1893 and was limited to ten years. The subsidies granted were of two classes — a premium on purchase, and a mileage bounty. The purchase subsidy was based on net tonnage and was payable for a term of fifteen years from the date of the ship's launching, reduced each succeeding year by seven per cent; the mileage subsidy, for the same term, was in proportion to the length of the voyages made "in the interest of national commerce whether to or from Hungarian ports." The premiums on purchase were thus fixed for the first

*Meeker.
†U. S. Con. Rept., no. 820, July, 1907, p. 180.

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year: for vessels employed in long-distance coasting trade — sailing-ships, six krone (each 20 cents); steamers, nine krone per ton; employed in deep-sea trade, — sailing-ships, nine krone; steamers, twelve krone per ton. Iron or steel ships rated first class were entitled to these bounties. The mileage subsidy was fixed at five hellers per ton, per hundred nautical miles run. It was offered only for voyages "to places where no company in receipt of State subsidies is obliged to maintain regular communications;" and it was not to be given for "petty coasting trade."*

This law was succeeded by an act of 1895 granting construction bounties, with the intent of fostering domestic shipping and the use of domestic material. The rates were proportioned according to the amount of foreign or domestic material used, construction with domestic product receiving the highest bounty. These rates were: for iron or steel hulls, thirty to sixty krone per ton; for wooden ships, ten to twenty-five krone per ton; for engines and auxiliary machinery, ten to fifteen krone per ton of materials used; for boilers and pipes, six to ten krone per ton of material. The total amount to be paid out yearly was limited to the modest figure of two hundred thousand krone ($40,600).†

The law of 1895 in reality was not effective, for ships of the Hungarian merchant marine continued to be built in foreign parts — mainly in British yards;* and while the carrying capacity had considerably increased, the tonnage had continued to decline.* By 1904 the situation had become so unsatisfactory that, as the American consul at Budapest wrote, the passing of a new navigation-development law by Hungary's Parliament had, it was believed, become a pressing necessity.‡

In 1909 the Austrian Government guaranteed a maximum sum of one million crowns (approximating $200,000) annually to the Austro-American Shipping Company for their service between Trieste and Brazil and Argentine ports. Should the service tend successfully to promote home in-

*Meeker.
†Meeker. Also Parl. papers, Com., 1909, no. 4, p. 8.
‡U. S. Con. Rept., no. 283, April, 1904, p. 304.

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dustries and agriculture, this subsidy was to be increased, the amount of increase to depend upon the amount of cargo carried in excess of a certain minimum. The contract was to run for fifteen years from January 1, 1910. The service, beginning with sailings three times a month, was to become weekly on January 1, 1911.*

The total Austria-Hungary tonnage in 1910-11 was recorded at 779,029 tons.†

*U. S. Con. Rept., no. 352, Jan., 1910, p. 45.
†Lloyd's Register, 1910-11.

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CHAPTER VII

ITALY

EARLY after its establishment in 1861 the Kingdom of Italy adopted a subsidy system with the object of reviving and upbuilding the then languishing Italian merchant marine. This policy was instituted in 1866 with the grant of premiums on the construction of wooden ships. At the same time materials used in the construction, repair, or enlargement of ships were made duty-free.*

For a while under these conditions, before iron ships had come much into use, the merchant marine prospered. Then it again began to languish; and in 1881 the promulgation of the French general bounty law was made the special occasion for considering the adoption of a similar measure.† The draft of a bill modelled after that law was promptly introduced in the Chamber of Deputies, in February. But with its consideration such perplexities arose that at length the whole subject was referred to a commission of inquiry, to investigate and report a more satisfactory one. The result of this inquiry was a bill which became law December 6, 1885, to continue in force for ten years.

This law provided for general construction subsidies, on the following scale: for steamers and sailing-ships built of iron or steel, sixty lire ($11.58) per gross ton; for steam or sailing ships built of wood, fifteen lire; for *galleggianti* (floating material: the term signifying merchant ships navigating the Italian seaboard, rivers, and lakes, but not provided with certificates of nationality), of iron or steel, thirty lire; for construction and repairs of marine engines, ten lire per quintal; for marine boilers, six lire per hundred kilograms of weight. These bounties were to be increased from 10 to 20 per cent (according to the degree of speed and other desirable qualities shown) for steamers built on

*Meeker.

†Bismarck's Memorial to the German Reichstag, April, 1881.

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plans approved by the Government engineers as to be convertible into cruisers, showing a speed of not less than fourteen knots an hour, and with sufficient coal-carrying space to steam four thousand miles at ten knots. The law was applicable to ships bought abroad as well as those of domestic build. But it forbade the sale or charter to a foreigner of any steamer upon which the bounty had been paid, except by Government permission. The laws of 1866 granting premiums and free entry to shipbuilding materials were suspended during the ten years' term of this act.*

In 1888, a new tariff of the previous year (July, 1887) having increased the customs duties on shipbuilding materials, additional bounties on construction and repair were granted by a royal decree to offset these disadvantages to the shipbuilders. A provision was added for the payment of fifty lire per gross ton for construction of war-ships, and eight and a half lire per horsepower for engines, nine and a half lire per quintal for boilers, and eleven lire per quintal for other apparatus, to be used in war-ships. Navigation bounties were also added to Italian ships as follows: 0.65 lire per gross ton for every thousand sea miles run beyond the Suez Canal or the Strait of Gibraltar to or from ports outside of Europe; the same for ships sailing between one continent with its adjacent islands and another continent with its adjacent islands, outside the Mediterranean. Sailing-ships of above fifteen years of age were ineligible to these bounties; so also were mail-route steamers.†

In 1896, after the expiration of this law, a new law was enacted (July 23) closely modelled upon it. The construction subsidies were the same, except that war-ships built for foreign countries were debarred from receiving bounties. The navigation subsidy per gross ton for every thousand sea miles sailed beyond the Suez Canal and the Strait of Gibraltar was increased to 0.80 lire, the rate to be diminished by ten centimes for steamers and fifteen centimes for sailing-ships every three years. An important addition was the reënactment of the customs rebates on shipbuilding materials. This law was also to be in force ten years.†

*U. S. Con. Rept., Jan., 1890, no. 112, pp. 61-62. Also Meeker.
†Meeker.

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In 1900 (November 16) a royal decree was issued modifying the law of 1896 in several particulars. No bounty was hereafter to be allowed to vessels built in Italian yards for foreigners. The customs drawbacks were abrogated, and in place of them was granted a bounty of five lire per quintal of metal used in repairs. A bounty of fifty-five lire per gross ton was offered for iron or steel steamers showing a speed of above fifteen knots; fifty lire, for steamers speeding twelve to fifteen knots; forty-five lire, for steamers or sailing-ships with speed below twelve knots; and thirteen lire per net ton for modern hulls. The navigation subsidies per gross ton per thousand miles, were thus fixed: for steamers, forty centimes up to the fifteenth year after construction; for sailing-ships, twenty centimes up to the twenty-first year after construction. The yearly distances run for which the bounties were to be paid were limited to thirty-two thousand miles for a steamer below twelve knots; forty thousand for one of twelve to fifteen knots; fifty thousand above fifteen knots, and ten thousand for a sailing-ship. All Italian ships were eligible to this bounty; foreign ships were debarred. The maximum expenditure for all the bounties was limited to ten million lire ($2,000,000) a year.

In 1910 (May) a new subsidy bill was enacted providing for the continuance of the arrangement under the measure of 1900, with a few immaterial modifications.* Early in 1911 the Government was reported to have in readiness ten bills looking to the support of domestic shipping and shipbuilding. Eight of these had relation to the increase of subsidy on the Italian mail and cargo service of the Mediterranean. Other routes subsidized included lines to Central America, Chile, Canada. Domestic shipbuilding was to be aided to the extent of twelve hundred and forty thousand dollars.†

Italy's mail subvention system dates from 1877, when the Italian steamship companies by a convention (July 15) consolidated with the Government.‡ All the lines receiving

*U. S. Consul J. K. Wood, Venice, in Daily Con. Repts., no. 80, Aug 9, 1910.
†U. S. Consul T. St. J. Gaffney, Dresden, Germany, in Daily Con. Repts., no. 83, April 10, 1911.
‡Meeker.

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the mail subsidy came to be owned by a single powerful corporation, the Italian General Navigation Company. While the rates paid per mile are not so high as those paid by several other countries, the requirements as to size of vessels, speed, and amount of service to be rendered, are less exacting. Accordingly these subventions are in fact, as Professor Meeker recognizes them, "partly in the nature of concealed bounties." In 1879 the Government spent in these subventions a total equalling $1,593,214. By 1889 the total had only slightly increased, the amount that year being $1,849,392. In 1908 the total was $2,328,917. The mail steamships are required to carry government civil and military employees at half price.

Previous to 1896 the Italian General Navigation Company owned more than half of the Italian steam tonnage, and most of the large steamships.* After 1896 the sail tonnage steadily increased. In 1905 it was recorded that "the Italian flag now flies over some of the best modern transatlantic liners in the port of New York; the Mediterranean is full of Italian ships; and the Lloyd Italiano has five new ten-thousand-ton steamers nearly ready for service in South America."† Between 1890 and 1910 the Italian gross tonnage increased from 809,598 tons to 1,820,653 tons.‡

*Meeker.
†U. S. Senate Rept., no. 10, 59th Cong., 1st sess.
‡Lloyd's Register, 1910-11.

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CHAPTER VIII

SPAIN — PORTUGAL

SPAIN instituted a ship-construction bounty system in 1880, when her merchant marine was languishing, and in 1886 a comprehensive system of mail subventions, contracting for the whole ocean service with a single steamship company, *La Compañia Transatlantica Española.*

Previous to 1886, for a quarter of a century and more, postal subventions had been given to private commercial houses, or individuals, providing steam communication with the Spanish colonies and foreign ports; but much of the service during that period had been performed by this company through cessions from the holders of the contracts. Before the adoption of the private contract system, the service to the colonies had been performed by the first regular steamship line between the Peninsula and the Antilles (in 1850), established at the State's expense. The ships of this line were all under the command of officers of the navy, and performed various services for the Government besides carrying the mails and despatches.

Under the contract of 1886 (ratified by the Cortes in 1887) the company were to furnish all the mail steam communication between the Peninsula and the colonies and possessions, and foreign ports, for a total maximum subvention of 8,445,222 pesetas ($1,689,044) annually. The subsidy was calculated on the number of nautical miles run. The total sum was distributed among the budgets for the Peninsula and the several colonies.* In 1909 the subvention was redistributed over the various lines, the total amounting in round numbers to $1,665,600. The contract went as a whole also to the Spanish Transatlantic Company, to run for twenty years. A particular requirement was that the company must favor Spanish trade in every possible way.†

*U. S. Con. Rept., no. 112, January, 1890, pp. 54-56.

†U. S. Vice Con. Gen. William Dawson jr., Con. Repts., no. 849, Oct., 1910.

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The first construction subsidy law, that of 1880 (June 25), granted a bounty of forty francs ($7.72) per measured ton of 2.83 cubic metres on all ships built in Spain. All tariff duties paid on imported materials for building, careening, or repairing ships or their machinery, were to be refunded by the Government.*

During the decade between 1880 and 1890 the Spanish marine slowly increased. Further to foster it, in 1895 a more general subsidy law was enacted. This act granted a construction subsidy of forty pesetas ($7.72) per gross ton for wooden ships; seventy-five pesetas ($14.48), for iron and steel steamers; and fifty-five pesetas ($10.62), for ships of mixed construction and for sailing-ships of iron and steel.†

The year following the passage of this law was marked by rapid expansion in the national marine. Then came a more rapid decline. This was due, it is assumed, to increased taxes, and business depression occasioned by the colonial wars, involving enlarged Government expenditures and the cutting off of much colonial trade.† During the war with the United States (1898) Spain lost eighteen large steamers of 31,316 tons. After that war, with the development of her national resources, the Spanish marine again began rapidly to grow.†

In 1909 (law of June 14) the system was extended with the addition of general navigation bounties calling for an annual expenditure of 2,750,000 pesetas ($530,750). For ships making monthly sailings to various named points, among them Brazil, Uruguay, and the Argentines, and semi-weekly sailings to Algeria, bounties were provided ranging from seven to seventeen cents per ton gross for every thousand miles run, to continue for a period of ten years. Spanish ships manned by Spanish crews and ranked by maritime agencies as first class were made eligible to them. All ships receiving these bounties must admit naval cadets and perform certain services for the Government. To ship-builders, as off-set to the duties on imported materials which

*U. S. Con. Repts., 1890.
†Meeker.

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they must pay, bounties for port materials as well as for ships were granted by this law. The construction subsidies were increased to $13.84 per gross ton for wooden ships not possessing their own motor power, and $17.30 self-propelling; $20.76 for iron or steel ships without motor, $27.68 for ships for freight only, $29.41, freight and passengers; and $32 passengers only. Ten per cent of the bounties for passenger ships was to be added for each knot made above fourteen per hour. The sale of a ship to a foreigner within two years after the ship's construction was made invalid unless about a third of the bounty received be repaid. Ships built abroad for Spanish citizens were to be relieved of certain duties "provided it appears that it was absolutely necessary that they be built abroad."*

The total amount paid in mail subventions in 1910 was $1,858,186; in navigation subsidies, $1,291,826. The total Spanish tonnage the same year comprised 579 vessels of 765,460 tons.†

Portugal grants postal subventions of comparatively small amounts to three steamship companies which perform all her mail carrying. A move toward the institution of a general subsidy system was made in 1899, when a bill was before the Cortes providing construction and navigation bounties for the encouragement of domestic shipbuilding and ship-using; but this measure was not enacted. In 1911 the republic offered a subsidy of one thousand dollars per voyage in either direction for steamship service between Lisbon and New York, with call at the Azores, the contract to run for three years.‡ Portugal controls her shipping service with her colonies, the trade with them being restricted to the Portuguese flag.** Her total tonnage is small: in 1910 only 110,183 tons.††

*U. S. Con. Rept., no. 849, Oct., 1909.
†Lloyd's Register, 1910-11.
‡Daily Con. Repts., no. 106, May 1, 1911.
**Meeker. Also Parliamentary papers.
††Lloyd's Register, 1910-11.

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CHAPTER IX

DENMARK — NORWAY — SWEDEN

DENMARK pays postal subventions to two steamship companies for carrying the mails to Sweden and to Iceland, and "trade" subsidies to other companies to encourage particularly the export trade. The latter are payments directly for reductions in freight rates, which are supervised by the Government.* The postal subventions are not large, and they are generally accepted as only fair remuneration for service rendered.†

Norway and Sweden both give subsidies for mail carriage solely, and grant no direct bounties on shipping. Both, however, undertake the furtherance of commerce and navigation through "State contributions," in the form of loans to shipowners from Government funds.‡ Such aid has been granted to several steamship lines. In 1910 the Swedish Government granted a loan equivalent to half a million dollars American money toward the capital of a new line between Swedish ports and New York, Philadelphia, and Baltimore.** Shipping is exempt from taxation in both countries.†† The Swedish tonnage in 1910 stood at a total of 1472 vessels of 918,079 tons.‡‡

In Norway the laws put no restriction upon shipowners as to purchase in any market. Most of her steam tonnage is foreign-bought, and largely second-hand. Her merchant fleet, however, consists for the greater part, of wooden sailing-ships, and these are mostly of domestic build.†† Besides the mail subsidies the Government grant "trade"

*Meeker.
†Parl. papers.
‡Meeker.
**U. S. Con. Rept., no. 82, 1910, p. 106.
††Meeker.
‡‡Lloyd's Register, 1910-11.

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subsidies to some forty Norwegian steamship companies to enable them to maintain routes to various foreign ports. These subsidies amount to about half a million dollars annually.* In 1910 Norway stood in tonnage fourth among European maritime countries: her total tonnage being 2,014,533 tons.† Norway has by far the largest percentage of sea-faring population, and her mariners are found in the crews of all nations in Europe and America.

*Report of (U. S.) commissioner of navigation for 1909.
†Lloyd's Register, 1910-11.

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CHAPTER X

RUSSIA

IN Russia steamship lines were early subsidized with mileage bounties, besides receiving postal subventions; and later the Government adopted the policy of returning the Suez Canal tolls to the subsidized lines. The mileage subsidies are direct bounties avowedly for the encouragement of Russian navigation, and are very large.*

In 1898 a Government commission, appointed to consider and report upon the state of the empire's mercantile marine, declared that Russia was losing a vast sum annually through the lack of a sufficient commercial fleet of her own, and yet no progress seemed to be making toward increasing her tonnage. To remedy this unsatisfactory condition the commission suggested the removal of the duty on ships built abroad for Russia, and the free admission of all material necessary for ship construction.†

Favoring laws followed. By a measure of July that year (1898) ships bought abroad, if destined for the foreign sea-borne trade, were exempted for a period of ten years from the heavy duties levied on such vessels.* The next year (1899) the coasting trade, reserved exclusively for Russian ships, was extended to include navigation between any two Russian ports in any seas; and, further to restrict this trade to subjects of the empire, it was enacted that ships engaged in it must be manned exclusively by Russian officers and seamen.*

At this period Russia's shipping industry, outside the Government works for the construction of battle-ships, was of comparatively little consequence. In the few extensive ship-yards river steamers, tugs, and other small craft, built from Russian materials and by Russian workmen, were

*Meeker.

†U. S. Consul Smith, Moscow, in Con. Rept., no. 216, p. 149, Sept., 1898.

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chiefly turned out. The materials could be bought cheaper abroad, but Russian labor was cheaper. According to the United States consul at St. Petersburg, the wages of common workmen were then from fifty-one to sixty-four cents a day, while skilled workmen were receiving but seventy-seven cents to one dollar a day.*

In the decade 1890-1901 the amount of subsidies expended directly to encourage shipping increased rapidly, and the tonnage increased in extent and importance. In 1890-91 the total tonnage stood at 427,335 tons of which 156,070 were steam and 271,265 sailing ships. In 1902-03 a total of 800,334 tons was reached, of which 556,102 were steam and 244,232 sailing ships.†

In 1902 the granting of bounties in the form of loans to ship-owners was proposed, with the object of inducing them to buy Russian ships built of Russian materials instead of foreign product. The scheme contemplated a mortgage on the finished ship at fifty per cent of the actual cost, without interest, to cover a period of twenty years, the loans to be in equal yearly payments. The amount of the bounty was to depend upon the difference between the cost of home-built and foreign-built ships. The loans were to be made only on first-class sea-going steamers. The plans and specifications were to be approved by the minister of finance before building; and steamers of over one thousand tons register must show an average speed of not less than ten knots on a six hours' trial; those under one thousand tons, of not less than eight knots. In addition to the loans the Government was to bear part of the expense of insurance. To facilitate the export of Russian goods in Russian-built ships, a rebate was allowed of half the expense of Russian coal used in steamers carrying less than three-fourths of a full cargo on export, and one-half cargo on import. It was estimated that this scheme for fostering domestic shipbuilding would entail smaller drafts on the national treasury

*U. S. Con. Gen. R. T. Greener, St. Petersburg, in U. S. Con. Rept., no. 236, p. 91, May, 1900.

†Report of The Merchant Marine Commission (U. S.), 1905, vol. II, p. 947.

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than would the granting of direct construction and navigation premiums.*

Progress was checked appreciably by the war with Japan (1904-05). But the year after, the empire was active again in advancing her interests in the East, by systematically granting subsidies to steamship lines to various Asiatic points.† By 1909 the tonnage had been brought to a total of 700,959 tons, approaching that of the year before the war. Of this total 443,243 was steam tonnage. The greater part of the steam fleet was foreign built, only 167 of the total, 898 steamers, being of Russian product. The largest number were built in England (341). Others were obtained from various European yards. More than ninety per cent were of iron and steel. Of the sailing-ships, ninety per cent were home product.‡ In 1910 the total tonnage stood at 887,325 tons.**

The mileage subsidies in 1910 were going principally to eleven steamship companies; the postal subventions mainly to four. Those receiving the mileage subsidies carry the mails and Government passengers free. The largest mileage subsidy goes to the Black Sea Navigation Company, the oldest and most important of the subsidized lines (founded in 1856, with Government aid).†† In addition to the subsidy the Government pays back the Suez Canal tolls. The Russian Volunteer Fleet stands second on the list of subsidy receivers. This is practically a Government affair. It was created in the war-time of 1877-78, by private subscription, as an auxiliary war fleet; and was reorganized for general service in 1892. The members of the board of managers are State nominees, and the officers and crews are regarded as employees of the crown.‡‡ The subsidy is fixed at six hundred thousand rubles ($309,999) a year; and the re-

*U. S. Commercial Agent R. T. Greener, Vladivostock, in U. S. Con. Repts., no. 265, p. 218, October, 1902.

†Same, no. 313, p. 140, October, 1906.

‡Con. Gen. John H. Snodgrass, Moscow, in U. S. Con. Repts., no. 354, pp. 32-33, March, 1910.

**Lloyd's Register, 1910-11.

††Con. Gen. Snodgrass, Con. Repts., no. 102, Oct., 1910.

‡‡Parl. papers: Report of com. of enquiry into Steamship Subsidies, 1901.

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funded Suez Canal tolls amount to another six hundred thousand rubles.*

The mileage subsidies, given directly to foster shipping, increased rapidly from year to year after 1890, while the postal subventions, for mail carriage chiefly, remained practically constant.†

*List given in Rept. of Mer. Marine Com., with totals paid in 1902-03, vol. 2, p. 946.

†Meeker.

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CHAPTER XI

JAPAN — CHINA

WHILE France is the bounty-giving nation *par excellence,* Japan is a pressing second. The development of a modern merchant marine, together with a modern navy, was among the first undertakings of the awakening empire upon her assumption of Occidental civilization. Adopting what seemed to her statesmen of the new regime, from their study of Western methods, to be the speediest way to that end, she started out energetically to attain it through lavish money-grants from the national treasury for the establishment of steamship companies of her own people in coastwise and ocean service, and of modernized ship-yards and shipbuilders.

The initial venture resulted in the creation of a steamship monopoly. This was the subsidizing, in 1877, of the pioneer concern, to supply steam communication between various domestic ports, and also with Siberia, China, and Corea. It was founded by a broad-visioned Japanese merchant, Jwasaki Yataro,* and controlled by him. To break his monopoly the Government in 1882 set up a rival State-supported company.* After a period of "desperate competition" and warfare, Jwasaki persuaded the new concern to unite with his. So was effected a community of interests after the most approved Western pattern.* By this union was formed, in 1885, the powerful *Nippon Yusen Kaisha* (Japan Mail Steamship Company), which remained the most powerful of Japanese steamship establishments, with lines running to the same ports to which the American steamers run.

Coincident with the State-aiding of steamship companies was the granting of liberal postal subvention. Next followed the institution of a general subsidy system, frankly designed

*Meeker.

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to stimulate domestic shipbuilding and to further navigation by Japanese ships.

This system was embodied in two acts promulgated in 1896, the year after the finish of the Japan-China War (1894-95), when the merchant marine was growing pretty rapidly, but not rapidly enough for the aspiring nation. These were, a Shipbuilding Encouragement Law, the aim of which was to stimulate the building of vessels above 700 tons; and a Navigation Encouragement Law, to foster open-sea navigation. Their model was the French system.

These laws offered construction and navigation subsidies, and also made provision for a widely extended postal service with increased postal subventions. The construction bounties were available for "any company composed of Japanese subjects exclusively as members and shareholders which shall establish a ship-yard conforming to the requirements of the Minister of State for Communications, and shall build ships." The rates were fixed as follows: for ships of over 1000 tons, twenty yen ($9.96) per gross ton; of over 700 and under 1000 tons, twelve yen; for engines built with ships, or in any other domestic dock-yard, with the consent of the Minister of Communications, five yen per horsepower. Japanese materials only were to be used, unless the Minister of Communications should give permission to use foreign materials. The navigation bounties were granted only for iron and steel ships owned exclusively by Japanese subjects, and plying between Japan and foreign ports. The rates in this class were: twenty-five sen (about 12½ cents) per gross ton per thousand miles run for ships of 1000 tons steaming at ten knots an hour; ten per cent added for every additional 500 tons up to 6000 tons, and twenty per cent for every additional knot up to seventeen. Foreign-built ships less than five years old, owned by Japanese, were admitted to these bounties. The postal routes established were fifteen in number, calling for an annual expenditure of 4,964,404 yen (about $2,482,202) when in full operation. The payments for postal service were to be computed at the mileage rate given for navigation. Previous to this act the postal subventions had amounted

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annually to nine hundred and forty-five thousand yen in 1890 and 1891, and nine hundred and thirty thousand yen in the subsequent years.*

The effect of these laws was to stimulate overproduction. The *Nippon Yusen Kaisha* ordered eighteen large freight steamers aggregating 88,000 tons. Other companies doubled and trebled their fleets.* One result of the overproduction was the forcing down of freights. This, together with the business depression of 1898-99, brought losses to the shipping companies despite the large subsidies. The rapidly increasing amounts of the subsidies, too, were giving the Government concern. From a total of 1,027,275 yen in 1896 the sum expended annually had grown by 1899 to 5,846,956 yen. The total paid between 1896 and 1899 had amounted to 13,133,440 yen, about $6,566,720.*

Accordingly, in 1899 (March), a law was enacted modifying the system. The navigation bounties on foreign-built ships were reduced by half, while the subventions to the postal lines were fixed at certain yearly sums. A law of 1900 (February 23) extended the postal services. Under these laws the postal subventions reached a total of about 5,647,811 yen ($2,823,905) a year. Of this total the *Nippon Yusen Kaisha's* was the lion's share, — 4,299,861 yen, about $2,149,930.*

After the passage of these laws the various companies further increased their tonnage, but the merchant marine grew more wholesomely for a while. In 1902 the total tonnage had reached 934,000 tons, and the Japanese mercantile fleet had risen to the position of eighth in the world in point of tonnage, whereas in 1892 it was only thirteenth.† In 1907 the United States consul at Yokohama wrote: "The building of ships of over ten thousand tons in Japanese yards is now quite common. . . . The war [with Russia] has given a great impetus to the shipbuilding and dock-yard industry which has made remarkable progress during the last few years.‡

That year (1907) the Government brought forward

*Meeker.
†U. S. Con. Rept., no. 282, March, 1904.
‡U. S. Con. Rept., no. 316, Jan, 1907, pp. 92-93.

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several ship-subsidy bills making provision for further Japan sea services.* In 1908 the amount of State aid to the merchant marine had increased to an equivalent of $6,170,566 and additional amounts were asked for, one for the line to South America.† The budget for 1908-09 carried the largest amounts yet devoted by Japan to ship subsidizing. At the end of 1908 official statistics placed the number of steamers at 1618, with a gross tonnage of 1,153,340.42. Of these, one hundred and one were steamers of more than three thousand tons.†

In 1909 a new subsidy system was adopted (the laws of 1896 revised), to go into effect January 1, 1910. The fixed navigation bounties granted by the old system on specified routes were abolished, and a general subsidy offered open to all steamships conforming to the provisions of the new law. The subsidized open-sea routes, however, were limited to four — the European, the North American, South American, and Australian;‡ and coasting srevices in the Far East were not affected. Among other conditions imposed on the beneficiaries were the requirements that steamers must carry more than one-half their maximum load; that each must have a wireless telegraph outfit, this, however, instituted at the Government's expense; that the Department of Communications be furnished with information as to freights and passenger rates; and that proper terminal facilities, as piers, warehouses, lighters, be provided by the subsidized companies.** The steamers receiving the full subsidy must be home-built, of steel, of over 3000 tons gross, and showing a speed of at least twelve knots per hour. The rate was fixed at fifty sen per gross ton for every thousand nautical miles, and ten per cent of this sum added per additional speed of one nautical mile an hour, according to the conditions of the route. Upon a vessel the age of which exceeds five years the subsidy

*Con. Gen. H. B. Miller, Yokohama, in Con. Repts., no. 32, pp. 120-121, May, 1907.

†Vice Con. Gen. E. G. Babbitt, Yokohama, in Con. Repts., no. 344, p. 216, May, 1909.

‡Japan Year Book, 1911.

**U. S. Con. Gen. Thomas Sammons, Yokohama, in Daily Con. Repts., no. 88, Aug. 17, 1910.

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decreases five per cent each year till the age of fifteen is reached, when it ceases. Foreign-built steamers under five years of age, which may be put in service with the sanction of the Government authorities, are entitled to half of the subsidy. The construction subsidies were arranged in two classes, and each class in four grades.* The rates were slightly increased over those of the law of 1896, and their benefits were limited to steel vessels of over 1000 tons instead of 700 tons.

The total appropriations for ship subsidies in the budget for 1911-12 amounted, in American money, to $6,845,995, of which $6,294,020 were for navigation, and $551,975 for construction subsidies: an increase of $478,387 in the former class over the appropriation of the previous year, and a decrease in the latter class of $6,835.†

The total Japanese tonnage in 1910 stood at 1,149,200 tons.‡ The *Nippon Yusen Kaisha* practically owns nine-tenths of the ocean-going steamships flying the Japanese flag.**

China, too, taking on Western ways, is emulating Japan in establishing a modern merchant marine. The Government is giving State aid to native steamship companies, and subsidizing ship-yards. According to the United States consul-general at Hongkong the Government is now (1911) to furnish half of the amount of an extension of the capital of the Chinese Merchants' Steam Navigation Company to twenty million taels (about $12,600,000 gold), and thirty additional steamers of modern type are to be built for service — ten on foreign routes, including a route to the United States, and twenty on routes between Chinese ports; while a new ship-yard is to be set up at Shanghai under Government auspices, capitalized at five million taels (about $3,200,000 gold).

*Japan Year Book, 1911.

†U. S. Ambassador Thomas J. O'Brien, Tokyo, in Daily Con. Repts., no. 123, May 26, 1911.

‡Lloyd's Register, 1910-11.

**Japan Year Book, 1911.

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CHAPTER XII

SOUTH AMERICA

BRAZIL gives subventions from the Federal treasury to several foreign steamship companies, and some of the States of the federation also make similar grants from their treasuries. Besides the subventions to lines to foreign ports, the Government grants State aid to a considerable number of coast lines operating between Rio de Janeiro and other Brazilian ports. The total amount of the subventions in 1910 was equal to $1,437,880.* The principal beneficiary was the *Lloyd Brazileiro,* maintaining the line between Brazilian ports and the United States.

Argentina is adopting a policy of giving subsidies to foreign steamship companies which extend her communications with foreign ports. As far back as 1865 a decree was issued offering a subsidy of twenty thousand dollars a year for a line between Argentina and the United States. But it was not taken. In 1911 the Government was prepared to pay a subsidy to a new steamship company promoted to furnish a regular service to South Africa.† In 1911 there appeared the first steam vessel flying the American flag at Buenos Aires in twenty years.‡

Chile grants mail subsidies, which have no appreciable effect in the merchant marine.**

*Con. Gen. George E. Anderson, Rio de Janeiro, in Daily Con. Repts., no. 55, p. 719, Sept. 7, 1910.
†Daily Con. Repts., March 18, 1911.
‡Same, January 20, 1911.
**Meeker.

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CHAPTER XIII

THE UNITED STATES

WHILE a navigation code founded in 1790 and 1792, and developed in 1816, 1817, and 1820, after the model of the then existing English code,* has been retained in modified form through enactments in subsequent years, a system of general ship-subsidies, though repeatedly proposed, has never been adopted by the United States. From 1793 to 1866 bounties were given to fishing vessels and men employed in the bank and other deep-sea fisheries,† but no subsidies to the merchant marine were granted till 1845, and these were only postal subsidies — payments in excess of an equivalent for services to be rendered in ocean mail-carriage. The law enacted that year had for its declared purpose the encouragement of American ocean steamship-building and running. With this act, therefore, the real history of Government aid to domestic shipping in this country begins.

At the time of the adoption of this policy America was still leading the world in ocean sailing-ships with her splendid fleets of fast-sailing packets and "clippers," while England had taken the lead in steamships. The law of 1845 was the culmination of a move begun in Congress in 1841, the year after the first Cunarder had crossed from Liverpool to Halifax and Boston. Its aim was to parry England's bold stroke for maritime supremacy with her State-aided steamship lines, and directly to "protect our merchant shipping from this new and strange menace."‡ The first move of 1841 was for an appropriation of a million dollars annually for foreign-mails carriage in American-owned ships.‡

*Wells, chaps. 4 and 5, pp. 58-94. Also Rept. of commissioner of navigation for 1909.

†U. S. Statutes at Large. Also Rept. of commission of navigation, 1909.

‡Marvin, pp. 240-241.

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The law of 1845 (March 3) authorized the postmaster-general to contract with American ship-owners exclusively for this service to be performed in American vessels, steamships preferred, and by American citizens, for a period of from four to ten years, with the proviso that Congress by joint resolve might at any time terminate a contract. The subsidy was embodied in the rates of postage thus fixed: upon all letters and packets not exceeding a half-ounce in weight, between any ports of the United States and any foreign ports not less than three thousand miles distant, twenty-four cents, with the inland postage added; upon letters and packets over one half-ounce in weight, and not exceeding one ounce, forty-eight cents, and for every additional half-ounce or fraction of an ounce, fifteen cents; to any of the West India Islands, or islands in the Gulf of Mexico, ten cents, twenty cents, and five cents, respectively; upon each newspaper, pamphlet, and price-current to any of the ports and places above enumerated, three cents: inland postage to be added in all cases. The postmaster-general was to give the preference to such bidder as should propose to carry the mails in a steamship rather than a sailing-ship. Contractors were to turn their ships over to the Government upon demand for conversion into ships of war, the Government to pay therefor the fair full value, as ascertained by appraisers. The postmaster-general was further authorized to make ten-years' contracts for mail carriage from place to place in the United States in steamboats by sea, or on the Gulf of Mexico, or on the Mississippi River up to New Orleans, on the same conditions regarding the transfer of the ships to the Government when required for use as war ships.*

The next year, 1846, in the annual post-office appropriations act (June 19), provision was made for the application of twenty-five thousand dollars toward the establishment of a line of mail steamers between the United States and Bremen; and early in 1847 (February 3) a contract was duly concluded for a Bremen and Havre service, the first under the law of 1845.

*U. S. Statutes at Large, vol. V, p. 748.

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This was a five years' contract entered into with the Ocean Steam Navigation Company, upon the basis of an earlier agreement (February 1846) with Edward Mills of New York, which Mr. Mills had transferred to the new organization. The subsidy was fixed at one hundred thousand dollars a year for each ship going by Cowes to Bremen and back to New York once in two months a year, and seventy-five thousand dollars a year for each ship going by Cowes to Havre and back to New York. The contractors were to build within a year's time four first-class steamships of not less than 1400 tons, nor less than a thousand horse-power; and were to run their line "with greater speed to the distance than is performed by the Cunard Line between Boston and Liverpool and back."* Provision for the subsidy thus called for was promptly made in this item in the post-office appropriation bill for the ensuing year, approved March 2: "for transportation by steam-ships between New York and Bremen according to the contract with Edward Mills, $258,609."†

The next step was the enactment of a law which had for its declared objects "to provide efficient mail services, to encourage navigation and commerce, and to build up a powerful fleet in case of war."‡ This measure, approved March 3, 1847, entitled "An act to provide for the building and equipment of four naval steamships," made provision for the construction, with Government aid, of merchant mail-steamships under the supervision of the Navy Department that they might be rendered suitable if needed for war service.

The act directed the secretary of the navy to accept on the part of the Government certain proposals that had been made for the carriage of the United States mails to foreign ports in American-built and American-owned steamships. These proposals had been submitted to the postmaster-general (March 6, 1846) by Edward K. Collins and associates (James Brown and Stewart Brown) of New York, and A. G. Sloo of Cincinnati: one for mail transportation

*This contract in Executive Document, 30th Cong., 1st sess, no. 50.
†U. S. Statutes at Large, vol. IX, p. 152.
‡Meeker.

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by steamship between New York and Liverpool, semi-monthly, the other between New York and New Orleans, Havana, and Chagres, twice a month. The secretary was directed to contract with Messrs. Collins and Sloo in accordance with the provisions laid down in this act. These required that the steamers be built under the inspection of naval constructors and be acceptable to the Navy Department; that each ship carry four passed midshipmen of the navy to serve as watch-officers, and a mail agent approved by the postmaster-general. Mr. Sloo's ships for his West India service were to be commanded by officers of the navy not below the grade of lieutenant. The secretary was further directed to contract for mail-carriage beyond the Isthmus, — from Panama up the Pacific coast to some point in the Territory of Oregon, once a month each way; but this service could be performed in either steam or sailing ships, as should be deemed more expedient.*

All the contracts thus provided for were concluded the same year. Each was to run for ten years. The first executed was that with Mr. Sloo. It called for five steamships of not less than 1500 tons, and a semi-monthly service. The line was to touch at Charleston, if practicable, and at Savannah. The ships were to have engines by direct action; and each ship was to be sheathed with copper. The subsidy was fixed at two hundred and ninety thousand dollars a year, a rate of $1.83½ per mile, the distance to be sailed out and back being 158,000 miles.† Mr. Sloo immediately set over his contract to George Law, Marshall O. Roberts, and Bowes McIlvaine, of New York.‡ The second contract was for the Pacific service, connecting with the mail by the Sloo line across the Isthmus. This was made with Arnold Harris of Arkansas. It provided for a monthly service between Panama and Astoria, Oregon, calling at San Diego, Monterey, and San Francisco, with a subsidy of one hundred and ninety-nine thousand dollars per annum. Three steamers were to be furnished, two of not less than a thousand tons each. Upon receiving the contract Mr.

*U. S. Statutes at Large, vol. IX, p. 187.
†Meeker.
‡For the Sloo contract see Exec. Docs., 32nd Cong., 1st sess., no. 81

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Harris immediately transferred it to W. H. Aspinwall of New York, representing the newly formed Pacific Mail Steamship Company.* The third was the Collins contract. This stipulated for a semi-monthly service between New York and Liverpool during the eight open months of the year, and a monthly service through the four winter months, with five steamers, each of not less than 2000 tons and engines of a thousand horsepower. The first ship was to be ready for service in eighteen months after the date of the contract, November 1, 1847. The subsidy was fixed at $19,250 per twenty round trips, or three hundred and eighty-five thousand dollars a year, a rate of $3.11 a mile for sailing about 124,000 miles.†

By subsequent acts the secretary of the navy was authorized to advance twenty-five thousand dollars a month on each of the ships called for by these several contracts from the time of their launching to their finish; and the date of the completion of the first Collins steamer and the opening of the New York and Liverpool service was extended to June 1, 1850.‡

At the same time that the secretary of the navy was executing these contracts the postmaster-general under the authority of an act "to establish certain Post Routes and for other purposes," also approved March 3, 1847,** was contracting for a steamship mail-service between Charleston and Havana, with a subsidy of forty-five thousand dollars per annum. This contract was entered into with M. C. Mordecai of Charleston, who agreed to furnish steamships suitable for war purposes, and to perform a monthly service.†† Several other propositions for steamship service to various foreign countries were made to the postmaster-general at this time, but none was accepted.‡‡

The pioneer Bremen-Havre line began its service on the first day of June 1847, with two steamers. These were the

*For this contract see Exec. Docs., 32nd Cong., 1st sess., no. 91.
†Meeker. This contract in Exec. Docs., 32nd Cong., 1st sess., no. 91, pp. 71-74.
‡Navy appropriation bills, Aug. 3, 1848, March 3, 1849.
**U. S. Statutes at Large, vol. IX, p. 188.
††Exec. Docs., 30th Cong., 1st sess., no. 51.
‡‡Exec. Docs., 30th Cong., 1st sess., no. 51.

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Washington and the *Hermann,* built in New York, strong and large, of 1640 tons and 1734 tons, respectively, side-wheelers, bark-rigged. At first they made the run to Bremen in from twelve to seventeen days, much better time than the average clipper.* But up to 1851 they had no regular schedule of sailings, and, their speed being unsatisfactory, few mails were sent by them. The subsidy payments, therefore, were made for each voyage separately.† They had also ceased to command the patronage of travellers. Nevertheless, as a committee of the Senate in 1850 reported, they were believed to have been "profitable to their owners as freight vessels, and of essential service in promoting the interests of American commerce."‡ The full service, with twelve trips to Bremen and twelve to Havre, was finally begun in 1851, when two more, and larger ships, — the *Franklin* and the *Humboldt,* each of 2184 tons, were added to the Havre line. Four years before, the original company, because of financial difficulties, had organized a separate corporation for the Havre service. In 1852 Congress extended the contract to 1857;† and Southampton was made the point of shifting the mails.

The New York and Chagres, the Charleston and Havana, and the Pacific line, were all under way before the close of 1848. The Pacific line was the first in operation. The service began with the three steamers called for by the contract, the first sailing from New York on the sixth of October, the other two early in December. They were the *California,* 1050 tons, the *Panama,* 1087 tons, the *Oregon,* 1099 tons, all built in New York. The New York and Chagres line was started also in December with the sailing of the *Falcon,* 1000 tons, a purchased steamer which the Navy Department accepted temporarily, while the new ships were building, that the service might be immediately begun. The opening of the new territory south of Oregon acquired through the Mexican War, and the beginning of the rush of the "Argonauts" to the newly discovered gold

*Marvin, p. 243.
†Meeker.
‡Report in the Senate Sept. 18, 1850, in Exec. Docs., 32nd Cong., 1st sess., no. 91, pp. 14-15.

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fields of California, had made all concerned anxious to get these connecting steamship lines a-going.

At first the service was halting because of unavoidable circumstances. The Pacific Company were unable at once to meet the demands. Sufficient or competent crews could not be obtained on the California coast during the gold excitement,* at fever heat in 1849. But it was not long before more ships were put on, and the service improved and prospered. By September, 1849, the Chagres company had their first completed ship in commission. This was the *Ohio,* 2432 tons, built in New York. By June, 1850, the second, the *Georgia* (and the third of the line, for the *Falcon* was retained) was running. Soon afterwards the *Illinois* was added. At about the same time the Pacific company had added two more to their fleet — the *Columbia* and the *Tennessee.* In 1851 the postmaster-general was authorized to increase the Pacific trips to semi-monthly; and the subsidy was increased. An additional contract (March 18) was then made with Mr. Aspinwall, as president of the Pacific Mail.† This called for the enlargement of the line within a year, to six steamers; and for semi-monthly trips from Panama to Oregon and back, with stops and mail delivery at named points in California; and increased the company's subsidy by one hundred and forty-nine thousand two hundred and fifty dollars per annum. Thus the yearly total became three hundred and forty-eight thousand two hundred and fifty dollars. Before the semi-monthly trips were begun, San Diego and Monterey were dropped for the regular service, to be served by a slower line.‡ Also this year (1851) two more steamers were added to the fleet.

By this time on the Atlantic side the Collins Line was in promising operation. The service had auspiciously begun in 1850 with four of the five steamships called for by the contract. These were the *Atlantic,* 2845 tons, the *Arctic,* 2856 tons, the *Baltic,* 2723 tons, and the *Pacific,* 2707 tons, each some seven hundred tons larger than the measurement

*Meeker.

†For contract see Exec. Docs., 32nd Cong., 1st sess., no. 91, pp. 154-157.

‡Exec. Docs., 32nd Cong., 1st sess., no. 91, pp. 5-7.

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stipulated — "at least 2000 tons." All were built in New York ship-yards; were especially designed for fast sailing; and in size, model, finish, and fittings were pronounced to be "such steamers as the world had never seen."* In all respects they were superior to the Cunarders with which they were aggressively to compete; and it was the boast of the Americans that they would "beat the English in steam navigation, as they had beaten them in fast sailing." All associated with the enterprise were of large experience in maritime affairs. Mr. Collins, a native of Truro, Cape Cod, and long a shipping merchant of New York, had been at the head of fast clipper-ship lines — the New Orleans and Vera Cruz packet line, and the more famous "Dramatic line" (the ships named for plays and players) of transatlantic sailers. The commanders of the steamers were all tried clipper captains.

The *Atlantic* made the initial voyage, steaming gallantly out of New York harbor on the twenty-seventh of April, a month before the contract time for the beginning of the service. The *Pacific* followed in June, the *Baltic* in November, the *Arctic* in December. They beat the Cunarders' time on the average by a day. Their popularity was immediately established. Their passenger traffic rapidly increased. But the severe condition of the mail contract, with their quick sailings allowing only short stays in port, made it impossible for the company to secure a profitable share of the freight business without a heavy outlay for slower cargo boats. Within a few months after the start of the line the Cunard Company had cut freight rates from seven pounds ten shillings per ton to four pounds. So, while the Collins ships continued steadily to outsail the Cunarders and got the bulk of the passenger traffic, the Cunarders got most of the freighting. Moreover, the Collins ships were far more expensive to run. Indeed, the cost of the rapid service was enormous. Mr. Collins stated before a committee of Con-

*Marvin, p. 247. The measurement of these steamers is differently given by Spears: p. 26. "When done, the ships were found to have fine models—they rode the waves in a way that excited the admiration of all sailors. But the keelsons under the engines were only 40 inches deep, while the keels were 277 ft. long, and there was 'give' enough to rack the engines to pieces." Spears, p. 267.

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gress that to save a day or a day and a half in the run between New York and Liverpool cost the company nearly a million dollars annually.

Accordingly more subsidy was asked for. This was granted in 1852, the act being stimulated by England's move late in 1851 in raising the Cunards' subsidy to £173,340 ($843,000), for forty-four trips a year: about nineteen thousand dollars per voyage. The extra allowance lifted the Collins subsidy to $853,000 for twenty-six trips a year, thirty-three thousand dollars per voyage, a rate of upward of five dollars a mile.*

The competition now became sharper. Still the Collins Line maintained its record sailings, and continued to beat the English. Then it was sharply checked by a grave disaster. On the twenty-fourth of September, 1854, the *Arctic*, when forty miles off Cape Race, rushing through a fog, was rammed by a French steamer, and sunk with three hundred and seven souls. This calamity had a depressing effect on the company's affairs. Two years later, in 1856, Congress determined to reduce the subsidy, and notice of the discontinuance of the extra allowance of 1852 was ordered.† Only a few weeks after this action another disaster, even more appalling than the first one, befell the company. On September 23 the *Pacific* sailed from Liverpool for her homeward voyage with a full complement of passengers; passed to sea out of sight; and was never more heard of. She was replaced by the *Adriatic*, the fifth ship called for by the contract, which was launched the year before, the largest, finest, swiftest, and most luxurious then afloat; and the company struggled on against accumulating odds.

At length, in 1858, Congress abandoned the subsidy system and returned to the method of payment for foreign mail-carriage according to the actual service rendered, with a proviso, however, favoring American ships, such to receive the inland-postage plus the sea postage, while foreign ships were to have the sea postage only.‡

*Meeker.

†U. S. Statutes at Large, vol. XI, p. 101; chap. CLXI, Aug. 18, 1856.

‡Same appropriation act for ocean steamship service, June 14, 1858.

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This was the final blow. The last voyage of the Collins Line was made in January, 1859. Then it perished. In April following, the ships were seized by the mortgagees and sold. So closed the career of the pioneer United States ship company in the transatlantic service. The splendid *Adriatic* passed to English ownership and the American flag gave way to the British. For several years this ship "held the transatlantic record with a passage of five days nineteen hours from Galway to St. John's."*

Of the other subsidized lines, the ships of the Bremen service were withdrawn and laid up after the subsidy ceased. The Havre line continued a while longer with two ships that had replaced the *Humboldt* and the *Franklin*, both of which had been lost, — the *Humboldt* wrecked at Halifax on December 5, 1853; the *Franklin* stranded on Montauk Point on July 17, 1854. Then with the charter of the two new steamers by the Government in 1861 for use in the Civil War, the Havre line also disappeared.

The cost to the Government of this first steamship subsidy venture, covering the thirteen years between 1845 and 1858, was approximately fourteen and a half million dollars.†

Meanwhile, within this period, the American wooden sailing-ships continued to be the glory of the seas, and the American clippers reached their highest development. The appearance of steamships on the North Atlantic and the Pacific had inspired the producers of the "wonderful American sailing-ships" to greater efforts for their perfection; and the clipper, surpassing all other types of sailers in size, sea-qualities, and speed, was the result of the intensified rivalry of canvas and steam.‡ The American clipper-ship era fairly opened with the advent of the Collins Steamship Line.** Between 1850 and 1855 clipper-ships were built for nearly every trade,†† and they were on every sea. Some

*Marvin, p. 279.

†Meeker gives the details as follows: Bremen line (1847-57) $2,000,000; Havre line (1852-57) $750,000; Collins line (1850-58) $4,500,000; New York to Aspinwall (1848-58) $2,900,000; Astoria and San Francisco to Panama (1848-58) $3,750,000; Charleston to Havana (1848-58) $500,000.

‡Marvin, p. 253.

**Bates, p. 133.

††Same, p. 143.

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of the first were employed in the transatlantic packet service. More became engaged particularly in the "booming" trade to California, in the long-voyage traffic to China and India.* "When John Bull came floating into San Francisco, or Sydney, or Melbourne, he used to find Uncle Sam sitting carelessly, with his legs dangling over the wharf, smoking his pipe, with his cargo sold and his pockets full of money.† The Crimean War, 1853-56, opened a new and prosperous market for American fast sailing-ships, as transports. To meet the demand American ship-yards produced in 1855 more tonnage than they had ever built before.‡ The sailing-ship interests strenuously opposed the subsidy system. They denounced it as class legislation unjustly favoring the few, and urged its abolishment.** How strong this influence was in bringing about the change in policy is a mooted question.

No further move for fostering the American merchant marine with State aid directly or indirectly, was made till 1864. Then the steamship-subsidizing policy was revived, first with a proposition for the establishment of an American mail-line to Brazil. A subsidy of two hundred and fifty thousand dollars per year was proposed, one hundred and fifty thousand to be paid by the United States and one hundred thousand by the Brazilian Government. Congress endorsed the scheme. The act embodying it (May 28)†† authorized the postmaster-general to contract for a monthly service between the two countries, touching at St. Thomas, W. I., by first-class American sea-going steamships of not less than 2000 tons. The steamers were to be built under naval inspection, and to be subject to taking for war service. Bids were to be openly advertised for. The contract was to run for ten years. Thus was established the pioneer American line between Philadelphia and Rio de Janeiro, which continued from 1865 to 1876, and was then abandoned.

*Marvin, p. 254.
†George Frisbie Hoar.
‡Marvin, p. 258.
**Bates, p. 142.
††United States Statutes at Large, vol. XIII, p. 93.

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In the same session of Congress a bill was introduced, authorizing an anuual subsidy of five hundred thousand dollars for an ocean mail-steamship service to Japan and China via Hawaii. This also received favorable consideration, and was passed February 17, 1865. The service was to be monthly, performed by American-built ships of not less than 3000 tons, also constructed under naval inspection. Tenders for the contract were to be advertised for, but bids only from United States citizens were to be entertained. The contract was to run for ten years. Only one bidder appeared (as was evidently expected) — the Pacific Mail Steamship Company. The contract went to that company, and under it, in 1867, their prosperous Asiatic service began. At the outset they were released from the obligation of stopping at Hawaii, and Congress voted another subsidy — seventy five thousand dollars per annum — for a distinct Hawaiian service.* The contract for this service, also advertised for, went to the California, Oregon, and Mexican Line.

Thus far the granting of postal subsidies for the establishment of steamship lines alone had engaged the advocates of State aid to American shipping. Now was agitated the institution of a general subsidy system as a means of fostering the rehabilitation of the merchant marine of all classes in ocean service, sailing-ships as well as steamers. The situation had become acute. Through the great loss of tonnage in the Civil War, and through the steadily advancing change from wood to iron in ship construction and from sail to steam propulsion, the American merchant marine had been brought distressingly low. From 1861, when the United States was standing second in rank among the nations in the extent of her ocean tonnage, to 1866, this tonnage had declined from 2,642,648 to 1,492,926 tons: a loss of more than forty-three per cent; while England, the first in rank and chief competitor, had in the same period gained 986,715 tons, or more than forty per cent. Moreover, of this increase in English tonnage, a large percentage had been in steamers, one ton of which class was estimated

*Session of 1866-67.

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to be equal in efficiency to three tons of sailing-ships; while, by substituting largely iron for wood, England had gained a still further advantage in her much larger class of iron vessels, doubly as durable as those of wood.*

The matter was brought up in Congress by a resolution of the House, March 22, 1869, calling for the appointment of a select committee, "to inquire into and report at the next session of Congress the causes of the great reduction of American tonnage engaged in the foreign carrying trade, and the great depression of the navigation interests of the country; and also to report what measures are necessary to increase our ocean tonnage, revive our navigation interests, and regain for our country the position it once had among the nations as a great maritime power." Of this committee Representative John Lynch of Maine was made chairman.

The committee gave a series of hearings mainly in Atlantic seaboard cities, and submitted their report on February 17, 1870, accompanied by two bills recommended for passage; the one, a bounty bill, the other, relative to tonnage duties. With these measures the history of years of effort to establish the principle of general ship-subsidies in the American economic system properly begins.

The Lynch bounty bill, entitled "An act to revive the navigation and commercial interests of the United States," made provision for the remission of duties upon the raw materials entering into the construction of sailing and steam-ships; for the taking in bond, free of duty, of all stores used in vessels in sailing to foreign ports; and for bounties, or subsidies, to American sailing and steam-ships engaged in foreign commerce, already built as well as to be built: the aid being extended to those already built because they had been sailed during the Civil War and since "at great disadvantage."* The amount of duties to be remitted was to be equal to the amount per ton collected on the materials required for certain defined classes of ships: on wooden vessels, eight dollars a ton; on iron, twelve dollars a ton; on composite vessels (vessels composed of

*Report of the select committee on the merchant marine, in Repts. of Committee, 1870, 41st Cong., 2d sess., House Rept., no. 28.
*House Rept., no. 2373, 51st Cong., 2nd sess.

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iron frames and wooden planking), twelve dollars a ton; on iron steamers, fifteen dollars a ton. Where American materials were used in the construction of iron or composite vessels, allowance was to be made of an amount equivalent to the duties imposed on similar articles of foreign manufacture. The bounties were thus classified: to owners of American registered ships engaging for more than six months in a year in the carrying trade between America and foreign ports, or between ports of foreign countries, a dollar and a half per ton upon a sailing-ship each year so engaged, and a dollar and a half upon a steamer running to and from the ports of the British North American provinces; four dollars upon a steamer running to and from any European port; and three dollars to and from all other foreign ports.*

The intent of the second bill, "imposing tonnage duties and for other purposes," was the readjustment of the existing tax upon tonnage so that it should fall "more equitably upon the different classes of vessels affected thereby."* It removed all tonnage, harbor, pilotage, and other like taxes imposed upon shipping by State and municipal authority (except wharfage, pierage, and dockage); and imposed a duty of thirty cents per ton on all ships, vessels, or steamers entered in the United States.

The committee's measures were ably advocated, but they finally went down in defeat.

In 1872 the Pacific Mail Steamship Company came forward with an offer to add another monthly mail-steamship service to Japan and China, for an additional subsidy of a half million dollars a year. At the same session a project to establish a subsidized line to Australia was introduced; another, for a subsidized line from New Orleans to Cuba. These failed, while the scheme of the Pacific Mail won. A bill authorizing such contract was enacted June 1, that year, after prolonged and warm debates, and by close votes in House and Senate. Two years afterwards it was discovered that bribery had been employed in securing the passage of that act; the charge being that a million dollars had been

*House Report, no. 28, 41st Cong., 2d sess.

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spent by a corrupt lobby in pushing the bill through.* Upon these disclosures, and because the company had failed to fulfil its conditions, Congress, by act of March 3, 1875, abrogated the contract.† In 1877 the first contract with the Pacific Mail for the Japan and China service, expired. During its ten years' term the company had received from the Government a total of $4,583,333.33.‡

With the Pacific Mail exposure the word subsidy became unsavory to the public taste, and for some years after no subsidy measure, however carefully guarded or respectably backed, could find favor in Congress. A second project for subsidizing a new line to Brazil, proposed by John Roach, the noted American shipbuilder, in 1879, was among those ventured, only to fail.

A decade later, in 1889, when conditions seemed to be growing more propitious, the subject was revived with vigor by the introduction of a navigation subsidy bill proposed by the American Shipping League.** From this evolved in 1890 a tonnage bounty bill reported in the House by Representative James M. Farquhar of New York.†† The final outcome, indirectly, of these moves was the reëstablishment of the postal subsidy system, abandoned in 1858, in the enactment March 3, 1891, of what is known as the Postal Aid Law.

This one ship-subsidy law now on the statutes was in its original draft one of two proposed measures, termed respectively the Mail Ship Bill and the Cargo Ship Bill, both reported in the Senate by Senator William P. Frye of Maine. The Cargo Bill provided for navigation bounties to sailing-ships and steamers. The objects of these measures, as stated by the promoters, were "(1) to secure regular and quicker service to countries now reached; (2) to make new and direct commercial exchanges with countries not now reached; (3) to develop new and enlarge old markets

*House Docs., no. 598, also Miscellaneous Docs., nos. 74 and 255, 42d Cong., 2nd sess.
†House Docs., no. 268, 43rd Cong., 1st sess.
‡Meeker.
**House Docs., Rept., no. 601, 51st Cong., 1st sess.
††Text of this bill in Bates, pp. 411-416.

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in the interest of producers and consumers under the reciprocity treaties completed and under consideration; (4) to assist the promotion of a powerful naval reserve; (5) to establish a training-school for American seamen."*

Both bills passed the Senate, but the House rejected the Cargo Bill and passed the Mail Bill only after amending it essentially. The subsidy rate was cut one-third on steamers of the first class — the highest class of ocean liners,† — and was reduced on the second class. The act as finally approved comprises the following features:

Empowering the postmaster-general to contract for terms of from five to ten years with American citizens for carrying the mails on American steamships between ports of the United States and ports in foreign countries, the Dominion of Canada excepted; the service on such lines "to be equitably distributed among the Atlantic, Mexican Gulf, and Pacific ports." Proposals to be invited by public advertisement three months before the letting of a contract; and the contract to go to the lowest responsible bidder. The steamships employed, to be American-built, owned and officered by American citizens; and the following proportion of the crews American citizens, to wit: "during the first two years of each contract, one-fourth thereof; during the next three succeeding years, one-third thereof; and during the remaining time of the continuance of such contract, at least one-half thereof." The subsidized steamships are ranked in four classes: in the first class, iron or steel screw steamships, capable of making a speed of twenty knots an hour at sea of ordinary weather, and of a gross tonnage of not less than 8,000 tons; second class, iron or steel, speed of sixteen knots, 5,000 tons; third class, iron or steel, fourteen knots, 2,500 tons; fourth class, iron or steel, or wooden, twelve knots, 1,500 tons. Only those of the first class eligible to the contract service between the United States and Great Britain. All except the fourth class to be constructed under the supervision of the Navy Department, with particular reference to prompt and economical conversion into auxiliary cruisers, of sufficient

*House Rept., no. 3273, 51st Cong., 2d sess.
†Marvin, p. 414.

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strength and stability to carry and sustain at least four effective rifled cannon of a calibre of not less than six inches; and to be of the highest rating known to maritime commerce.

The subsidy, or rate of compensation, as it is termed, for mail-carriage is thus fixed in each class: first class, not exceeding four dollars (in the original draft six dollars) a mile; second class, two dollars a mile, by the shortest practicable route for each outward voyage; third class, one dollar a mile; fourth class, two-thirds of a dollar a mile for the actual number of miles required by the Post Office Department to be travelled on each outward bound voyage. Pro rata deductions from the compensations, and penalties, are imposed for omission of a voyage or voyages, and for delays or irregularities in service. No steamship in the contract service is to receive any other bounty or subsidy from the national treasury. Sanction is given to naval officers to volunteer for service on the contract mail steamships; and, while so employed, they are to receive furlough pay in addition to their steamship pay, provided they are required to perform such duties as appertain to the merchant service. The training-school for seamen is established by a provision requiring that the contract steamers "shall take cadets or apprentices, one American-born boy for each thousand tons gross register, and one for each majority fraction thereof, who shall be educated in the duties of seamanship, rank as petty officers, and receive such pay for their services as may be reasonable."*

The first advertisements for proposals under this act resulted in contracts with eleven existing lines, of the third and fourth classes. No bids were received for the North Atlantic service calling for American-built steamships in the first class. But an offer was made by the American Line† to begin the performance of the service with two British-built liners — the *City of New York* and the *City of Paris* — acquired from the Inman Line, if these steamers

*United States Statutes at Large, vol. XXVI, p. 830.

†Originally the International Navigation Company established in Philadelphia in 1871, and beginning service between Philadelphia and Liverpool with four American-built steamships.

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were admitted to American registry, the company agreeing immediately to order two similar ships from American shipyards and add these to their fleet. The proposition was accepted, and a supplementary act was passed (May 10, 1892), legalizing such registry.* The new American ships were promptly built,—the *St. Louis* and the *St. Paul*, launched November, 1894, and April, 1895, respectively,—each 11,600 tons, "larger, swifter, safer, and more luxurious"† than the two British-built vessels: a perfection of workmanship deemed a matter for congratulation by patriotic Americans. To this extent at least the subsidy law was declared to have been beneficent.

It had become evident, however, that the law was not fostering the establishment of new American-owned and American-built steamship lines as its promoters had hoped. In 1893 the contract service had been reduced by the discontinuance of three of the routes. In 1894 only three contracts were in operation. Up to 1898 no lines had been established on the Pacific under the law.

In the judgment of the subsidy advocates the law's failure to produce the anticipated results only proved its inadequacy in not providing enough subsidy. Accordingly, further measures were proposed affording a more generous supply.

In December, 1898, Senator Mark Hanna, of Ohio, brought forward a bill providing liberal navigation and speed bounties to all American vessels engaged in the foreign trade. This measure, as defined by its title, proposed "to promote the commerce and increase the foreign trade of the United States, and to promote auxiliary cruisers, transports, and seamen for Government use when necessary." The subsidy was again termed "compensation." It was to be payable on gross tonnage for mileage sailed both outward and homeward bound, according to speed. The rate to steamships showing on trial test a speed above fourteen knots was to increase proportionately; sailing-ships and steamers of less trial speed than fourteen knots, were to receive the lowest rate. This was fixed at one dollar

*United States Statutes at Large, vol. XXVII, p. 27.
†Marvin, p. 421.

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and fifteen cents per gross ton for each hundred of the first fifteen hundred miles sailed both outward and homeward bound, and one cent per gross ton for each hundred miles over one hundred miles both ways. The additional speed bounties ranged from one cent per gross ton for steamers of 1,500 tons and speeding fourteen knots, to 3.2 cents for those over 10,000 tons and showing twenty-three knots. The act was to be in force for a term of twenty years, and no contracts were to be made under it after ten years.

The Hanna bill met strong opposition, and was finally dropped. A substitute measure, drawn by Senator Frye, of Maine, took its place. This also was lost with the adjournment of the Fifty-seventh Congress. At the opening of the next Congress, in December, 1901, Senator Frye introduced his bill in an amended form. This offered subsidies to contract mail-steamships based upon tonnage and speed, and practically restored the rates of the original Postal Aid Bill. It further provided a fixed subsidy upon tonnage to other American steamers and sailing-ships, registered, and to be built in the United States. The bill passed the Senate, but failed with the House.

In 1903 the matter was taken up with greater vigor, by President Roosevelt. In his annual message to Congress December 7, the President, "deeply concerned at the decline of our ocean fleet and the loss of skilled officers and seamen," recommended the appointment by Congress of a joint commission to investigate and report at the next session, "what legislation is desirable or necessary for the development of the American merchant marine and American commerce, and, incidentally, of a national ocean mail service of adequate auxiliary naval cruisers and naval reserves."

In response Congress by act of April 28, 1904, created the Merchant Marine Commission with power to make the broadest kind of an inquiry. This body was composed of five Senators and five Representatives, two of the Senators and two of the Representatives members of the minority

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party. Senator Jacob H. Gallinger of New Hampshire was chairman. Eight months between the adjournment and reassembling of Congress was devoted to its appointed task. All the larger ports of the country were visited, its itinerary embracing the principal cities on the North Atlantic seaboard, on the Great Lakes, on the Pacific coast, and on the southern coast and Gulf of Mexico. Hearings were given in all these places to hundreds of citizens: commercial bodies, shipbuilders, shipowners, shipping merchants, merchants in general trade, manufacturers, bankers, lawyers, editors, doctrinaires. So wide indeed was the investigation, and so liberal the "open door" rule, admitting for consideration any "intelligent suggestion offered in good faith," that "alien agents" of foreign steamships were heard with the rest.* While differences of opinion as to methods and policies naturally were encountered, the commission declared that it found public sentiment, as this was sounded throughout the United States, "practically unanimous not in merely desiring, but in demanding an American ocean fleet, built, owned, officered, and so far as may be, manned by our own people." This sentiment was "just as earnest on the Great Lakes . . . as on either ocean."*

The results of the investigation were embodied in an elaborate report, comprising majority and minority reports of the commission, and the mass of testimony taken at the hearings: the whole filling three large pamphlet volumes, in all of nearly two thousand pages.†

The majority reported a bill. This was presented as merely an extension of the principles of the Postal Aid Act of 1891, involving "no new departure from the established practice of the Government." Its ocean mail sections were intended "simply to strengthen the existing act on lines where it has happpened to prove inadequate." The subsidies which it granted were termed, inoffensively, "subventions," and its promoters protested that these "subven-

*Report of The Merchant Marine Commission (1904), vol. I, p. III.

†Report of The Merchant Marine Commission, together with the testimony taken at the Hearings, 3 vols., p. 1985; Senate Report, no. 2755, 58th Cong., 3d sess.

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tions" were "not in any opprobrious sense a subsidy or bounty." They were "not bounties outright, or mere commercial subsidies such as many of our contemporaries give." They were "granted frankly in compensation for public services rendered and to be rendered."*

The proposed measure, however, was more than an extension of the act of 1891. Its scope was indicated by its title: "To promote the national defence, to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, to promote commerce, and to provide revenue from tonnage." The subsidies offered comprised mail subventions to steamships; subventions to general cargo carriers and deep-sea fishing-ships, both steam and sail; and retainers to officers and men of American merchant ships and deep-sea fishing vessels enrolling as naval volunteers. It opened with provisions for the establishment of a naval reserve.

The new mail subsidies provided for ten specified lines of "steamships of the United States" of sixteen, fourteen, thirteen, and twelve knots speed, to the greater countries of South America, to Central America, to Africa, and to the Orient, with a total maximum subsidy for the ten lines of $2,665,000 a year. In all contracts it was to be specified that the steamships must carry in their own crews a certain increasing proportion, up to one-fourth, of men enrolled as naval volunteers. The subventions to American general cargo carriers, or the "tramp" type of ships, and deep-sea fishing-vessels, steam or sail, were fixed at these rates: those engaged in the foreign trade for a full year, five dollars per gross ton; so engaged for nine months and less than a year, four dollars; for six months, two dollars. These subsidies were conditioned upon these requirements: the employment in the crews of a certain proportion of naval volunteers; one-sixth of the crews to be citizens of the United States or "men who have declared their intentions to become citizens;" ships to carry the mails when required free of charge; all ordinary repairs to be made in the United States; the ships to be in readiness for Government taking for naval service in time of need. The pay-

*Same: Report of the majority, vol. 1, pp. XXIII, XXX, XXXI.

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ments in this class were to be made on contracts for a year at a time, renewable from year to year; and no vessel was to receive them for a longer period than ten years. The retainers to officers and men of the merchant marine and deep-sea fishing-ships as inducements to enroll as naval volunteers, were fixed at rates ranging from a hundred dollars a year for the master or chief engineer of a large steamship to twenty-five dollars for a sailor or fireman, and fifteen dollars for a boy, these retainers being independent of their regular pay. The provisions relating to tonnage revenue increased the tonnage taxes on all vessels, American and foreign, entering American ports, with a rebate of eighty per cent of the tonnage duties allowed to American ships carrying American boys as apprentices and training them in seamanship or engineering for the merchant service and naval reserve.*

The minority report, signed by three of the four Democratic members of the commission, although outlining measures of relief which, in the judgment of the signers, would "accomplish substantial and permanent good without injustice to any other American interest and without doing violence to any fundamental principle of right or of organic law," proposed no bill. While the minority "saw objections to the entire bill" recommended by the majority, they were disposed to withhold any opposition except to the sections providing for direct subsidies. These they declared to be "so obnoxious to Democratic principles and to the economic sense of the country" that they were compelled to enter their "earnest protest against their enactment into law." Instead of subsidies, the remedial legislation which they outlined included: a return to the discriminating-duty policy; and the putting on the free list of all materials which enter into the construction of ships no matter whether intended for foreign or domestic trade, — thus admitting ships built from foreign materials, in whole or in part, to the coastwise trade, from which they are now excluded. The minority held also that it would probably

*This bill in Report of the Merchant Marine Commission, vol. I, pp. XLVI, LI.

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"be necessary to remove the duties not only for materials but from all materials sold cheaper abroad than at home," meaning steel and iron products. "In this way, and in this way only, will our shipbuilders be enabled to obtain our materials at the prices at which they are sold to foreign shipbuilders."*

The report of the commission was submitted to the Fifty-eighth Congress, third session, January 4, 1905.† No action was had on the bill in that Congress. It was referred to the committee on commerce; reported back to the Senate with sundry amendments and a minority report against it;‡ was debated tentatively; and finally passed over at the request of its sponsor, Senator Gallinger, who expressed himself as satisfied that the bill could not receive the consideration it deserved at that session. Meanwhile both Houses had directed a continuance of the commission's inquiry. In May the chairman, Senator Gallinger, held conferences in New York with several representatives of the shipping interests who had not been heard; and later sessions were held in Washington, at which other statements were received and considered.

At the opening of the Fifty-ninth Congress, December 4, 1905, Senator Gallinger submitted a supplementary report of the commission, and with it introduced a new bill — the previous bill in a new draft.** At the same time Representative Charles H. Grosvenor, of Ohio, the first House member of the commission, introduced the bill to the House.

This draft added several new features to the original bill. The most important were provisions for increasing the subsidies payable under the law of 1891 to the single American contract line to Europe, and to the Oceanic Line from San Francisco to Auckland and Sydney. These provisions added two hundred and fifty thousand dollars to the former's subsidy of seven hundred and fifty thousand, and two hundred and seventeen thousand to the latter's of two hundred and eighty-three thousand. The reasons given for

*Rept. of The Merch. Marine Com., Views of the Minority, Vol. I, p. LVI.
†Senate bill, 6291, 58th Cong., 3d sess.
‡Senate Report no. 2949, 58th Cong., 3d sess.
**Senate Report no. 1, 59th Cong., 1st sess.

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these increases were: in the case of the American Line, because this line "meets the fiercest competition of the State-aided corporations of Europe, soon to be intensified by the new subvention of one million one hundred thousand dollars granted to the Cunard Company by the British Government, on terms so liberal as to make it equivalent to one and a half million dollars a year"; and in the case of the Australasia Line, because it "operates in Pacific waters where cost of fuel, labor, etc., is considerably greater than at Atlantic ports; . . . is required to maintain a very high speed; . . . employs exclusively white crews instead of the Asiatics utilized by many other Pacific companies." Another provision, as a special encouragement for American shipowners to enter the Philippine trade, added a subvention of thirty per cent above the regular rate, or six and a half dollars a ton. The naval volunteer retainers were extended to seamen of the Great Lakes and coastwise trade.*

In the Senate the bill fared well as a whole. Like the original bill it came back from the committee on commerce amended, though slightly, and with a minority report against it: the minority again emphasizing their "unqualified opposition to this renewed effort to donate to certain favored interests moneys collected by the Government for public purposes under its power of taxation."† It was closely fought by the opposition in debate, opened with Senator Gallinger's argument in its behalf on January 8, 1906. But it successfully ran the gauntlet. Further amended in several particulars, but unscathed in its essential parts, it passed the Senate, February 14, by a vote of 38 to 27, five Republican Senators and all the Democrats voting in the negative.‡

In the House its progress was less prosperous. It lay with the committee on merchant marine and fisheries into the second session of this Congress; and more hearings were given. Reframed after the enacting clause, but practically the same in principle, it was reported back January 19 (1907) by Mr. Grosvenor, accompanied by an explanatory

*Senate Report no. 1, 59th Cong., 1st sess. This bill is Senate no. 529.
†Senate Report no. 10, 59th Cong., 1st sess.
‡Cong. Record, vol. 40, part 1, 59th Cong., 2d sess.

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report of the majority of the committee;* and bill and report were referred to the whole House on the state of the Union. Later the views of the minority were filed.* On January 23 a message from President Roosevelt in behalf of the measure was received. The president particularly urged the "great desirability of enacting legislation to help American shipping and American trade by encouraging the building and running of lines of large and swift steamers to South America and the Orient." As striking evidence of the "urgent need of our country's making an effort to do something like its share of its own carrying trade on the ocean," he directed attention to the address of Secretary Root before the Trans-Mississippi Commercial Congress at Kansas City, Mo., the previous November, giving the results of the secretary's experiences on his recent South American tour. The proposed law, Mr. Roosevelt repeated, was in no sense experimental. It was "based on the best and most successful precedents, as for instance on the recent Cunard contract with the British Government." So far as South America was concerned, its aim was to "provide from the Atlantic and Pacific coasts better American lines to the great ports of South America than the present European lines." Under it "our trade friendship" would "be made evident to the South American Republics."†

Backed by the explanatory report and this message, the friends of the measure opened the debate, February 25, Mr. Grosvenor leading. It was a great debate, long and hot. Numerous amendments were put in; some changing the proposed routes, others adding new ones. At length on March 1, three days before the end of this Congress, the much amended bill was passed, and went back to the Senate for concurrence.‡

As it now stood it was shorn of the provisions for lines from the Pacific coast to Japan, China, the Philippines, and Australasia. The new subsidized lines were all to run to South America. Two of these were to run from the Atlantic coast to Brazil and Argentina, respectively; one, from the

*House Report no. 6442, 59th Cong., 2d sess.
†House Doc. no. 4638, 59th Cong., 2d sess.
‡Cong. Record, vol. 41, part 5, 59th Cong., 2d sess., p. 4378.

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Pacific coast to Peru and Chile; and one from the Gulf of Mexico to Brazil. On all four lines sixteen-knot steamers were required, with speed on the average above the European mail lines to South America. The subsidies were reserved exclusively to ships to be built in the United States, so that the mail service could not be performed by existing steamers; thus a wholly new ocean-mail fleet was guaranteed.*

The bill was reached in the Senate March 2, and strenuous efforts were made by Senator Gallinger and others to push it through. But it failed in the closing hours of the session to reach a vote. So this measure fell.†

Another effort was made in the Sixtieth Congress. In his message at the beginning of this Congress (December 2, 1907) President Roosevelt recommended an amendment to the act of March 3, 1891, "which shall authorize the postmaster-general in his discretion to enter into contracts for the transportation of mails to the Republics of South America, to Asia, the Philippines, and Australia at a rate not to exceed four dollars a mile for steamships of sixteen-knots speed or upward, subject to the restrictions and obligations" of that act. In other words, to give the same subsidy to steamers in these services as allowed to the twenty-knot American mail transatlantic line, instead of two dollars a mile.‡ A bill to this effect was introduced in the Senate December 4**; on February 3, 1908, was reported back from the committee on commerce so amended as to provide the four-dollar-a-mile subsidy to American sixteen-knot steamers on routes of four thousand miles or more to South America, the Philippines, Japan, China, and Australasia; was debated at length; further amended; and finally passed, March 20. In the House it was referred to the committee on post office and post roads;†† issued therefrom in a dew draft;‡‡ debated; and finally failed to pass.

*Cong. Record, 59th Cong., 2d sess., p. 4638.
†Same, p. 4653.
‡Senate Report no. 168, 60th Cong., 1st sess.
**Senate bill no. 28, 60th Cong., 1st sess.
††Cong. Record, 65th Cong., p. 3743.
‡‡House bill no. 22301, 60th Cong., 1st sess.

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Thereupon the subsidized service to Australia by way of Honolulu and the Samoan group was abandoned.

Again the measure was pressed in the Sixty-first Congress. It now had the backing of President Taft. In his annual message December 9, 1909, "following," as he graciously said, "the course of my distinguished predecessor," he earnestly recommended the passage of a "ship-subsidy bill looking to the establishment of lines between our Atlantic seaboard and the eastern coast of South America, China, Japan, and the Philippines." The bill, as introduced by Senator Gallinger (February 23, 1910), provided for subsidized lines of the second and third classes on routes to the points named by Mr. Taft, four thousand miles or more in length outward voyage, or on routes to the Isthmus of Panama: the second class to receive the subsidy rate per mile provided in the law of 1891 for steamers of the first class, and the third class the rate applicable to the second class. If no contract should be made for a line between a Southern port and South American ports, and two or more should be established from Northern Atlantic ports, it was required that one of the latter should touch outward and homeward at two ports of call south of Cape Charles. The total expenditure for foreign mail-service in any one year was limited — not to exceed the estimated revenue therefrom for that year.*

The bill came back from the committee on commerce in March without amendment, and with a report.† In June it was put over for consideration in December of the third session of this Congress. When at length it was reached, Senator Gallinger submitted a substitute. This, instead of naming the points to be covered, provided for subsidized routes to South America south of the equator outward voyage; provided for one port of call instead of two on the Southern Atlantic coast; guarded against "discrimination detrimental to the public interest," in other words "combines," by a provision that no contract be awarded to any bidder engaged in any competitive transportation business

*Senate bill no. 6708, 60th Cong., 2d sess.
†Senate Report no. 354, same.

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by rail, or in the business of exporting or importing on his own account, or bidding for or in the interest of any person or corporation engaged in such business, or having control thereof through stock ownership or otherwise; and fixed the limit of the total expenditure for foreign mail service in any one year at four million dollars. This substitute was finally passed on February 12, 1911, by a vote of 39 to 39, the chairman casting his vote in the affirmative. In the House the measure went to the committee on post office and post roads; and there rested.

Various other subsidy bills and measures for the revival of the ocean merchant marine without subsidies, were put into this Congress, as in previous ones, but few escaped from the committees; and these few fell short of passage.

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CHAPTER XIV

SUMMARY

SHIP subsidies, open or concealed, are now granted by nearly every maritime nation. Whatever may be the designation of these Government grants, — whether mail subsidies, naval subventions, retaining fees for possible naval service, construction bounties, navigation bounties, trade bounties, Government loans, Government partnerships, tariff advantages, canal refunds, — whatever may be their form, all are distinctly Government aids, direct or indirect, the primary object of which is the development and expansion of the merchant marine of each nation granting them; and generally, if not universally, the upbuilding of this marine for service in time of need as an auxiliary to the national navy.

Summarized, the various grants of the various nations thus appear:

Great Britain grants mail subsidies, and admiralty subventions; her colonies, steamship subsidies.

France: mail subsidies; construction and navigation bounties; fisheries bounties.

Germany: mail subsidies; steamship subsidies; preferential rates on the State railroads for shipbuilding materials.

Belgium: premiums to certain steamship lines; pilotage refunds.

Austria-Hungary: mail subsidies; construction and navigation bounties; Suez Canal refunds. Hungary; bounties to Hungarian ships.

Italy: mail subsidies; construction and navigation bounties.

Spain: mail subsidies; construction and navigation bounties.

Portugal: mail subventions to steamship companies.

Denmark: trade subsidies; exemptions from harbor dues.

Sweden: State contributions — loans to steamship companies.

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Norway: State contributions; trade subsidies.

Russia: mail subsidies; mileage subsidies; Government loans; steamship subsidies; Suez Canal refunds.

Japan: State aid to steamship companies; mail subsidies; construction and navigation bounties; fisheries bounties.

China: State aid to steamship companies; subsidies to ship-yards.

South America: Brazil and Argentina, subsidies to foreign steamship companies.

United States: mail subsidies to seven steamship lines.

The United States confines the coastwise trade to American ships, and these are exempted from tonnage dues. It excludes foreign-built ships from American registry, admitting only American ships, or those taken in war as prizes or forfeited for a breach of United States laws, belonging to American citizens.* Ownership of American ships is restricted to "citizens of the United States, or a corporation organized under the laws of any of the States thereof."† The master of an American ship, and all officers in charge of a watch, including the pilots, must be American citizens. Since 1871 foreign materials for ship-building have been admitted free of duty. Since 1909 such materials, and all articles necessary for the outfit and equipment of ships, have been duty-free, with this proviso: that vessels receiving these rebates of duties "shall not be allowed to engage in the coastwise trade of the United States more than six months in any one year," except upon repayment of the duties remitted; and that vessels built for foreign account and ownership shall not engage in this trade.‡

In 1910 the subsidized American service covered only the one transatlantic line from New York to Southampton, calling at Plymouth and Cherbourg; lines to the north coast of South America — to Venezuela; to Mexico; to Havana; to Jamaica; and on the Pacific, from San Francisco to Tahiti.

The total cost of the service for the year on these seven subsidized routes was $1,114,603.47, a net excess over the amount allowable at present rates to steamers not under

*Registry law of 1792, in Revised Statutes, sec. 4132.
†Revised Statutes, sec. 4131.
‡Tariff act of Aug. 5, 1909, sec. 19.

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contract of $346,677.39; or, deducting the amount which would have been paid non-contract steamers for the despatch of the foreign closed mails which these steamers carry without additional cost to the department, a total excess of $293,013.40.* "All other mail service between the United States and foreign countries," the postmaster-general regretfully reported, is "wholly dependent on steamships over whose sailings the department has no control."†

The total tonnage of the United States in 1910 as given by Lloyd's was 5,058,678 tons:

	No. of vessels.	Tons.
Sea	2774	2,761,605
Northern Lakes	606	2,256,619
Philippine Islands	89	40,454
Total	3469	5,058,678

The number of ships on the lakes as given does not include wooden vessels trading on the Great Lakes. While the ocean tonnage has declined from more than two and a half million tons in 1861 to some eight hundred thousand tons, that engaged in the coastwise and inland trade has steadily increased for many years.‡ On the Great Lakes especially is employed a fine and powerful merchant fleet.

*Postoffice Department report, 1910.
†Postmaster-general Hitchcock, report, 1910.
‡American Year Book, 1911.

THE END.

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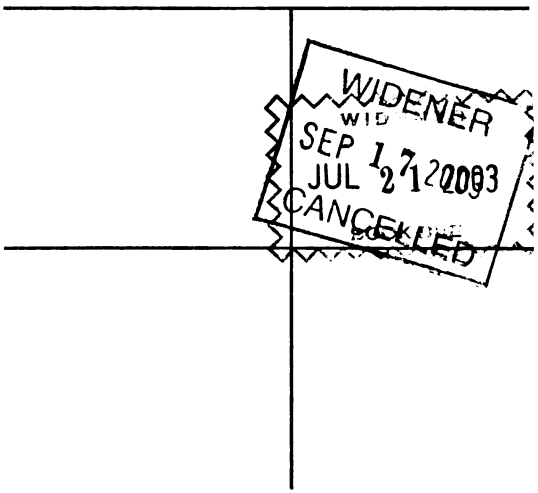

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